

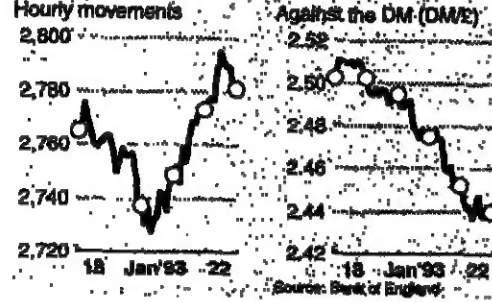
Croatians cross UN truce line to attack Serbs

Croatian troops crossed a United Nations truce line in Serbian-held Krajina yesterday and launched an offensive in one of four Croatian peacekeeping zones. Serbs later seized heavy weapons from UN safekeeping depots to reinforce their positions. The fighting, which also flared in Bosnia, came when prospects for the Bosnian peace talks were rising after Bosnia's Serb parliament accepted a constitutional framework. Page 2

US keeps up the pressures A US warplane attacked an Iraqi anti-aircraft missile battery, reinforcing president Clinton's vow to maintain Washington's tough policy towards Baghdad. Iraq denied it had a missile site in the area. Page 3

Sterling under pressure against D-Mark

FT-SE 100 Hourly movements



Growing gloom about Britain's economic recovery prospects put sterling under fresh pressure against the D-Mark. It closed 1 1/4 pence lower on the day at DM2.44, more than 6 pence below last Friday's finish. In London, shares rose on hopes of an interest rate cut and the FT-SE 100 index ended 7.9 points higher on the day at 2,751.2. Page 2; Spain cuts rate, Page 2; Currencies, Page 11; Markets, Weekend FT, Page 11

Clinton's first political defeat Zoe Baird, US president Bill Clinton's nominee for attorney general, withdrew her nomination amid senate criticism that she employed illegal immigrants. Page 22; The ways of Washington, Page 3

Danish government Denmark's Social Democrat leader Poul Nyrup Rasmussen won formal approval from four parties to form a Danish government. Page 2

Salvage experts boarded the blazing tanker Maersk Navigator, which had already left a two-mile oil slick near the entrance to the Malacca Strait off Sumatra. The tanker was carrying nearly 2m barrels of crude. Page 3

Texas Instruments, the US chip and electronics manufacturer, boosted fourth-quarter revenue to \$1.99bn (£1.3bn) against \$1.75bn a year earlier. Page 10

Palestinian deportees Lebanon agreed to a British offer to airlift some of the Palestinian deportees to Israel. The Israelis have said they will allow those 11 and those they deported in error to return. In the occupied Gaza Strip, Israeli troops shot and wounded an eight-year-old boy and 17 other people.

Calvet gives up Jacques Calvet, head of French car maker Peugeot Citroën, is giving up his Perot-style campaign for the French presidency. He said he launched his bid to stimulate debate and was now withdrawing.

Disease strikes in Sudan Medical workers say 80,000 people in southern Sudan have been killed by Kala-azar, a wasting disease. The sufferers were cut off from medical help by a civil war battlefield.

Baby sexing clinics Controversy erupted after the opening in London of the first British clinic offering couples the chance to choose the sex of their babies. The service is being investigated by the Department of Health.

Safe in Florida Missing prostitutes' rights campaigner Linda St Clair has been found safe in Florida, UK police said. They had been seeking her in Britain since she disappeared after threatening to reveal details of a file on influential clients. The search is estimated to have cost more than £100,000.

Hungarian PM's pledges Jozsef Antall, Hungary's prime minister, vowed not to compromise with rebellious right-wingers who are threatening the unity of his Hungarian Democratic Forum party. Page 3

STOCK MARKET INDICES	
FT-SE 100	2,751.2 (+7.9)
Yield	4.38
FTSE Germany 100	1,091.84 (+0.2)
FT-AE-Span	1,348.58 (+0.36)
Nikkei	10,336.51 (-201.87)
New York Composite	3,258.97 (+8.95)
Dow Jones Ind Ave	3,258.97 (+8.95)
S&P Composite	436.54 (+1.15)
US LUNCHTIME RATES	
Federal Funds	2 1/4 %
3-mo Treas Bill Yld	3.052 %
Long Bond	10 1/2 %
Yield	7.28 %
LONDON MONEY	
3-mo Interbank	8 1/4 % (Sterling)
Ultra long bill future: Mar 1993 (Mar 100%)	100 1/2
NORTH SEA OIL (Argus)	
Brent 15-day (Mar)	\$17.35 (17.27)
Gold	322.2
New York Comex Feb	\$328.5
London	\$328.25 (\$30.05)
Tokyo close Y 225.15	

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Economist editor appointed as deputy governor

Eddie George to be governor of Bank of England

By Robert Peston, Philip Stephens and John Gapper

MR EDDIE GEORGE was yesterday appointed as the new governor of the Bank of England.

The announcement of his appointment as head of the UK central bank, made by the prime minister's office, ends several months of speculation about the likely successor to the present governor, Mr Robin Leigh-Pemberton, who has held the post since 1983 and retires in June.

The new deputy governor is Mr Rupert Pennant-Rea, the editor of The Economist magazine.

Mr George said last night that he was delighted that the government for the first time had given the Bank a clear mandate to support the government in the fight against inflation.

Mr George, the current deputy governor, will be only the second governor drawn from the ranks of the Bank's own staff. Aged 54, he joined the Bank in 1963 after leaving Cambridge University.

His appointment to one of the most powerful UK public sector positions — and the best paid public sector job — had been widely predicted.

Page 5

The determined insider

Profile of new deputy

However the choice of Mr Pennant-Rea, 45, as deputy governor was completely unexpected.

Mr Pennant-Rea worked at the Bank between 1973 and 1977. He is a close friend of Mrs Sarah Hogg, the head of the Downing Street policy unit or think tank.

Mr George said of Mr Pennant-Rea's appointment that he "recognised the case for bringing fresh air into the Bank".

Mr George will be in charge of advising the government on its inflation policy and fund-raising in the UK debt markets. He will also be the leading spokesman for the City's interests both domestically and internationally and will have overall responsibility for supervising UK banks.

The choice of Mr George was made by Mr John Major, although Mr Leigh-Pemberton recommended his selection. The other leading candidate was Sir David Scholey, chairman of the merchant bank, SG Warburg.

Downing Street signalled that

Mr George's professional expertise and his easy relationship with Mr Major had been key factors in his appointment.

One of Mr George's most important roles as deputy governor has been to advise the Treasury on how to intervene in currency markets. However, the prime minister had not blamed him for sterling's forced withdrawal from the European exchange rate mechanism last September.

Mr George, who will formally take over in June, is generally regarded as a hawk on inflation. He had profound doubts about the wisdom of joining the ERM.

In the City of London, his appointment was greeted with a positive reaction. Mr Brian Pittman, chief executive of Lloyds Bank, said: "He is a real professional. We have a high opinion of him."

The appointment was also welcomed by European central bankers and government officials as a sign that the Bank of England's stewardship would pass into a safe pair of hands.

One central banker in continental Europe said of the decision by the UK government: "They're setting a very high store by real professionalism."



Challenger: Eddie George

Bankers may not provide Jubilee line funds

By Robert Peston, Banking Editor in London

BANKERS to Canary Wharf, the financially troubled property development, said yesterday there was serious doubt about whether they would provide funds to extend the Jubilee line into east London.

They said there were no firm commitments from them to provide the £400m towards the cost of extending the underground rail line which the government has said is needed from the private sector. Without this contribution, the extension will not be built.

In November, the administrators to the project said agreement in principle had been reached with 11 banks on the provision of the funds, including an immediate contribution of £98m. As a result, Mr Norman Lamont, the chancellor, earmarked public funds in the Autumn Statement for the government's share in the project.

But it emerged yesterday that the 11 banks, including Barclays and Lloyds of the UK, have not made a binding agreement to provide the private sector share. They are relying on the European Investment Bank, the European Community lending institution, to provide the bulk of the £98m.

"I am confident that the EIB will come up with the money," said one banker. However, a banker with close links to the EIB said it had not made any promise to provide the money and there was considerable doubt whether it would do so.

The EIB has already lent £100m to the project. Another £900m has been provided in a main lending facility provided by 11 banks. Four Canadian banks have provided a separate \$450m loan.

Canary Wharf is in administration under UK insolvency procedures. Bankers said the project would probably go into liquidation if there was no agreement on funding for the Jubilee line.

Discussions on the Jubilee funds are closely linked to separate negotiations on how to provide an additional £200m needed to complete Canary Wharf's building in London's docklands.

Continued on Page 22
Background, Page 4
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Government says pit closure plan vindicated

By Michael Smith and David Owen

THE GOVERNMENT yesterday claimed vindication for its decision last October to close 31 coal mines after independent reports pointed to an unprecedented decline in the market and broadly backed the selection of pits chosen for closure.

However, the likelihood that the government will change its mind on some of the pits was reinforced by the conclusion of one of the reports, by John T

Boyd, a US mining consultancy, that 13 could be profitable if there were significant changes to working practices.

One of the 31, Point of Ayr, in north Wales, seems almost certain to remain open after Boyd said its "room and pillar" mining system should be applied at other collieries. "Priority should be given to continuation of this pit to demonstrate the feasibility and economics of the system."

Boyd said British Coal's strategy for selecting the 31 pits originally earmarked to close

appeared reasonable. Among the 21 subsequently granted a stay of closure by the government, the consultancy ranked Malby and Hatfield the most economic, and Westoe and Eastington the least so.

Mr Tim Eggar, energy minister, said the reports broadly confirmed the assessments which led to the original decision in October to close the pits.

The government would consider the reports in its white paper on energy but he added that no pit would be viable

unless there was a market for coal.

Mr Robin Cook, shadow trade and industry minister, questioned the value of the reports and said they made it hard to believe that ministers were carrying out a searching review of energy policy. Mr Arthur Scargill, president of the National Union of Mineworkers, said they added nothing new.

He said the reports failed to point out that other forms of energy, such as nuclear power and gas, were more expensive

than deep mine British coal, and that coal imports were subsidised while British coal was not.

The report by Caminus Energy, "tells us nothing more than that on present policies coal is being shut out from the electricity market. We knew that in October."

At Westminster last night there were fears that publication of the documents could provoke a split among members of the

BR privatisation plans may still change, MacGregor says

By Richard Tomkins, Transport Correspondent

MR JOHN MacGregor, transport secretary, yesterday appeared to leave the door open to significant changes in the UK government's proposals for the privatisation of British Rail.

Mr MacGregor, unveiling the detailed plans in the form of the Railways Bill, emphasised the opportunities for parliament to amend the legislation before it won royal assent.

"The whole point of the parliamentary process of dealing with legislation is to carry out a parliamentary scrutiny," he said. "So there will be full parliamentary scrutiny in the months to come, and there may well be changes."

The government's plans for breaking up British Rail are threatening to turn into the most controversial privatisation yet. They have come under fire from a broad range of bodies including consumer groups, the public transport lobby, professional institutions, trade unions and MPs.

The aim is to split British Rail into two, with one body operating the trains and the other owning the tracks. Freight operations would be sold and the passenger

train operations would be contracted out to the private sector in up to 40 separate franchises, starting in 1994.

Mr MacGregor has already climbed down on one aspect of the privatisation proposals, saying that franchisees will not necessarily have to face on-track competition from other operators trying to poach their customers.

But the plans are still drawing strong criticisms about the practicality of separating track ownership from the operation of trains and the possibility that the introduction of track charges could price traffic off the railways and on to the roads.

Yesterday, Mr Brian Wilson, a Labour transport spokesman, claimed the bill would mean fewer services, greater safety risks, more bureaucracy, higher fares, more freight on the roads and heavy job losses.

"Above all, one is struck by the Byzantine complexity of what is being proposed," Mr Wilson said. "The lawyers will love it. Fragmenting the railways means everyone registering with everyone else, and a vast web of agreements and regulatory procedures."

Sir Bob Reid, BR chairman, refused either to endorse or to criticise the bill. "It is certainly a

legitimate way of broadening the financial base of the railway. Whether it works or not really depends on who comes forward and runs these franchises," he said.

Mr MacGregor said the plans would bring better railway services for passenger and freight customers and better value for money for the taxpayer.

Fares would rise no more rapidly than they had under British Rail, he predicted, and closure procedures would remain as stringent as they were now.

Mr MacGregor acknowledged that work was still to be done on some of the details of the proposals. A document on rolling stock leasing would be issued next week, another on the track charging regime would follow next month, and a third on the sale of freight services would come in March.

"There is no doubt that there are issues to be sorted out. I don't deny that for a second. BR is a very complex business," he said.

When he was challenged on the widespread hostility to the plans, Mr MacGregor said similar criticisms had accompanied earlier privatisations.

"The problems then were overcome, and they will be overcome this time," he said.

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FT121/93

NEWS: INTERNATIONAL

Croatian offensive shatters ceasefire

By Laura Silber in Belgrade

AN upsurge in fighting in the former Yugoslavia yesterday threatened to scupper the UN peace plan in Croatia and overshadowed the Bosnian peace talks, due to resume in Geneva today.

Croatian troops launched an offensive in south-east, one of four UN peacekeeping zones held by Serb rebels, and fighting intensified in Bosnia.

UN officials in Zagreb said that Croatian troops had crossed the year-old ceasefire line around the Maslenica bridge into the Serb-occupied Krajina region, the main overland route linking central Croatia with its southern Adriatic coast and around the Zemunik airport, near the port of Zadar.

The offensive comes amid mounting frustration among Croat leaders over their lack of control over about one-third of Croatia, which is held by Serb militia and under nominal UN authority.

"They have told us they want to secure the Maslenica bridge area and the area around it because they are

exasperated with Serb delays with regard to reconstruction of the vital bridge," Mr Cedric Thornberry, the UN chief of civilian affairs, said in Zagreb.

Yesterday's offensive shattered a relatively stable ceasefire in Croatia and raised fears of a renewal of the Serbo-Croat war. At least 10,000 people were killed in the seven-month conflict in Croatia which erupted in June 1991 when the western republic declared independence from Serb-dominated Yugoslavia.

Backed by the Yugoslav Army, Serbs, who comprised 13 per cent of the 4.7m population, took up arms against Croatian independence. Belgrade Radio said several French peacekeepers were wounded in the fighting at Zemunik airport. The report could not be independently confirmed. They said hundreds of refugees were fleeing artillery and mortar barrages in the area.

Serb commanders in Krajina, the self-proclaimed Serbian state in Croatia, announced a general mobilisation and reminded the Yugoslav Army of its promise to intervene if

"Serbs were under threat".

Under the UN peace plan, Serb fighters were supposed to hand over their weapons to UN supervision to create demilitarised zones. But a UN official yesterday said: "We have some information that the Serbs have removed heavy artillery from UN-supervised arms depots."

Yugoslav President Dobrica Cosic sent a letter of protest to the UN Security Council. "We are now at a turning point - either towards peace or toward total war," he warned.

Meanwhile fighting was reported throughout neighbouring Bosnia-Herzegovina. Sarajevo radio said the old town centre of the besieged Bosnian capital came under heavy shelling by Serb forces from the surrounding hills. Serb forces bombarded Mostar, the Croat-held city in south-west Bosnia, said Croatian radio.

In eastern Croatia, a UN soldier was killed when he stepped on a landmine in Sector East. He was the 24th UN peacekeeper killed since UN troops were deployed last March.

Geneva peace talks reach crucial phase

By Robert Mauthner, Diplomatic Editor

THE RENEWED fighting between Croats, Serbs and Moslems in the former Yugoslavia comes as the Bosnian peace talks appeared to have been given a boost by the Bosnian Serb parliament's acceptance of a constitutional framework for Bosnia.

The negotiations, due to be resumed in Geneva today, are about to deal with the most controversial element of the international mediators' peace plan - the detailed map of the ten provinces into which Bosnia will be divided.

"There are no illusions; the map discussions will be difficult," Mr Fred Eckhard, the mediators' spokesman said yesterday.

As with the negotiations last week on the constitutional principles, the talks will be attended by the top leaders of the rump Yugoslavia, federal President Dobrica Cosic, Serbian President Slobodan Milosevic and Montenegrin President Momir Bulatovic. It was President Milosevic's intervention, in particular,

which persuaded the Bosnian Serbs to accept the constitutional framework.

Anxious not to lose the momentum of the negotiations, the Geneva conference's co-chairmen, Mr Cyrus Vance and Lord Owen, will urge an agreement on the map during the current session of the talks. They are prepared to draw out the talks as long as necessary.

However, given the deep disagreements over territory which still divide the three ethnic groups, a more realistic prospect is that the negotiations will run into the sand by about Tuesday and will be adjourned for a few days to give an opportunity for further bilateral contacts.

The mediators' plan provides for the creation of an independent, unified state of Bosnia, divided into 10 largely self-governing provinces. But though the Croats have already accepted the provincial map, both the Moslems and Serbs are deeply unhappy with some of the provincial borders.

The Moslems, who accounted for more than 40 per cent of

UK-US group aims at German power sector

By Leslie Collitt in Berlin and Ivo Dawany in London

A UK-US consortium of PowerGen and NRG Energy has won an important first round in an ambitious attempt to become an important German coal and electricity producer.

The Treuhand privatisation agency decided yesterday to begin negotiations on selling east Germany's largest brown coal mining company, Mibrag, to the consortium.

A rival German energy consortium, led by Rheinbraun and including RWE, Preussa-Elektra and Bayernwerk, failed to submit a competitive bid, according to the Treuhand.

PowerGen's move comes at a politically sensitive time in the UK government, in the middle of a review on how to relieve some of British Coal's mines.

However, the privatised generator stressed yesterday it had no plans to import the coal, which would all be used locally.

PowerGen and NRG Energy are understood to have bid nearly DM1bn (£412m) to buy Mibrag's extensive open-cast mines in the Leipzig area and planned several billion D-Marks in investments. Mibrag, which produced 36m

tons of brown coal last year, expects to sign contracts shortly to supply brown coal to several big power stations planned in Saxony. The company's workforce is to be slashed by 5,500 to 10,500 by the end of this year.

The UK-US consortium also aims to become the first foreign company to operate power stations in Germany, breaking the fiercely-protected oligopoly of domestic producers. German electricity rates are among the highest in Europe and PowerGen and NRG Energy have held out the prospect of producing cheaper electricity. Both the Treuhand and the German Cartel Office have expressed interest in obtaining cheaper rates for German industrial and household users.

The Rheinbraun consortium is also negotiating with the Treuhand to buy the Laubag brown coal company in nearby eastern Brandenburg state, but progress has been slow. The Treuhand hopes to speed the process with its decision to negotiate exclusively with the Anglo-American consortium on Mibrag.

Mibrag's sale is to be concluded by June the Treuhand said. If PowerGen and NRG Energy are unable to sustain their offer, new tenders will be invited.

Two-track CIS emerges from Minsk conference

By Leyla Boulton in Minsk

THE COMMONWEALTH of Independent States yesterday embarked on a two-tiered future, with only seven of its 10 states agreeing on a charter for closer political and economic integration. Ukraine, Moldova and Turkmenistan refused to sign the long-discussed charter to create a defence alliance, an economic co-ordination committee and an interstate court.

However, all 10 participants at yesterday's summit in the Belarusian capital of Minsk signed a declaration that any state would be free to sign up to the charter in future.

Moreover, an interstate bank, seen as crucial for reviving collapsing interstate trade,

was also endorsed by all 10. It is to establish a badly needed clearing system and provides for the possibility of co-ordinating credit and monetary policy among the republics that continue to use the rouble.

The leaders also agreed to set up a common framework for the securities being issued by republics as part of moves to a market economy.

Mr Stanislav Shushkevich, the Belorussian leader and summit host, told a news conference: "I must disappoint those who were predicting the end of the Commonwealth. We have seen things eye-to-eye as never before."

Kazakhstan President Nursultan Nazarbayev said the signatories of the charter were "the Commonwealth integra-

tors", thus acknowledging two different kinds of Commonwealth membership had emerged.

But President Leonid Kravchuk of Ukraine, which has been the most recalcitrant Commonwealth member, said the states now respected each other's right to be different: "There are some questions which can only be decided in the Commonwealth but others must be left to bilateral relations. Today's meeting has shown we have begun to respect each other."

Russian President Boris Yeltsin said: "We understand we cannot live without each other even though Russia is better protected. Russia cannot live without Tajikistan, Ukraine or any other republic."

Antall stands up against far-right

By Nicholas Denton in Budapest

THE FUTURE of Hungary's conservative government hung in the balance last night as Prime Minister Jozsef Antall battled against a far-right offensive to take over the ruling party, the Hungarian Democratic Forum.

Mr Antall, a statesman-like moderate who has led Hungary since voters threw out the communist regime in 1990, put his political career on the line in his speech yesterday opening the Forum's congress.

Mr Antall, generally regarded as a vital element in Hungary's continuing stability, threatened resignation if the far-right took over the party presidium in internal elections last night.

The prime minister appealed to the good sense of the party, saying the far-right endangered the stability which was Hungary's "prime asset", lacking in neighbouring countries.

His speech confronted Mr Istvan Csurka, the extremist leader whose attacks on Jews, communists, liberals, journalists and western companies have capitalised on discontent over falling living standards, aroused Forum activists and thrown Hungarian politics into turmoil.

Mr Antall had in the interests of party unity resisted much pressure from the opposition and the international community to move against the anti-semitic writer after he launched his explosive manifesto last August.

But the prime minister's resolve appears to have hardened in the days running up to the congress as the far-right mounted personal attacks and a serious bid for power within the Forum. "If somebody draws a sword against me and the government, I take mine out: I will not back away," he said yesterday.

The clash within the Forum comes at the worst possible time for Mr Antall, who faces challenges on all fronts. Painful economic reforms, pursued amid a recession which has seen GDP fall almost 20 per cent in three years, have proved vastly unpopular. Support for the Forum fell to 8 per cent in a recent poll.

Irish exchange rate scheme plan

By Tim Cooney in Dublin

THE IRISH government has revealed details of a £1.1bn (£1.2bn) exchange rate guarantee scheme to be used to alleviate financial pressures on Irish businesses and mortgage holders hit by the recent currency turmoil.

The scheme will consist of two packages, one of £500m directed at the manufacturing, food-processing and tourism industries to reduce their borrowing costs, and another of £600m aimed at the building societies to avert a threatened 3 percentage point increase in mortgage rates.

The commercial banks will borrow the funds in D-Marks and then lend them on to eligible companies at a maximum interest rate of 13.5 per cent. In the case of the £600m to be made available to the building societies, they will apparently be able to deposit the funds back into the interbank market at commercial rates, to bring down the average cost of their borrowings, forced up sharply by the currency crisis.

Some market analysts have expressed doubts about the scheme, which is expected to be functioning early next

week, especially about the ability of the authorities to "ring-fence" the funds within the marketplace and prevent them from being used to fuel a new speculative run on the punt.

The Finance Ministry said yesterday: "The government will be quite insistent that there will be very close monitoring of how the funds are used."

The overall operation of the scheme will be reviewed in three months.

Although the punt strengthened considerably within the ERM this week, the key one-month money rate in the Dublin interbank market has continued to hover around 20 per cent, keeping the pressure on banks and lending institutions. Sterling traded yesterday at close to 1.09 to the punt, as it continued to weaken on the back of poor economic figures.

Most analysts in Dublin agree it will be extremely difficult for many Irish exporters to keep their markets in the UK if such an exchange rate is sustained. This week, leaders of Ireland's timber industry warned that several thousand jobs might be lost "within weeks" because of the decline in orders from the UK.

Economists call for floating franc

By David Buchan in Paris

A GROUP of private-sector French economists has called for the franc to be allowed to float against the D-Mark, opening up another crack in the establishment's consensus on the need for a strong franc.

At this week's Franco-German treaty anniversary celebrations, President Francois Mitterrand was firmly against any de-coupling of the franc from the D-Mark. Most proponents of a more flexible exchange rate have been identifiable anti-Europeans. But members of France's National Association of Doctor Graduates in Economics have concluded in their latest bulletin that although it has lower inflation than Germany, France will not succeed in bringing its interest rates below those of Germany.

These economists are impressed with the three-point fall in UK short-term rates since sterling left the European exchange rate mechanism. Only a narrowing of the gap between France's low inflation rate and high nominal interest rates will make it worthwhile for French companies to resume investing and creating jobs, they argue. If a floating franc means a franc sinking against the D-Mark, "it would be better to accept it, as the price of stopping the asphyxiation of the French economy."

In fact, the economy does not seem to be choking, according to figures published yesterday showing a 5.4 per cent rise in manufactured sales in December. The requirement for higher environmental standards from this month on led to a surge in car sales at the end of 1992.



Czech state bank clerks paste stamps on old Czechoslovak crowns in preparation for splitting the currency between the new Czech and Slovak republics

Spain cuts key rate as peseta finds calmer waters

By Tom Burns in Madrid

THE BANK of Spain yesterday gave a strong signal that it believes that the peseta has put its currency troubles behind it. The bank announced a half-point cut in the key money rate at the repurchase tender of its bank's certificates.

The bank said the decision to bring down the benchmark intervention rate from 13.75 per cent to 13.25 per cent was "a response to the progressive normalisation of the currency markets as they recover from the upsets of the autumn of 1992."

The monetary authorities had raised the rate from 13 per cent to 13.75 per cent on November 23 to shield the peseta against speculators following a 8 per cent devaluation of the currency. The peseta had already been devalued by 5 per cent two months earlier when the September upheavals in the European Monetary System forced the pound and the lira out of the system's exchange rate mechanism.

Yesterday's move by the bank had been expected by the markets, as it came in the wake of a set of indicators that

the peseta had been restored to health.

By the end of December, Spain's reserves, which had been hard hit in the battle to secure the peseta, improved by nearly \$3bn to finish 1992 with \$50.4bn (£33.1bn), and the currency has recently remained comfortably above the Pta72.78 to the D-Mark parity that was set in the November realignment.

Underlining the peseta's strength, the currency was fixed yesterday at its parity of Pta70.78 to the D-Mark, down from Pta72.80 before the announcement of the rate cut.

Banco de Santander was the first of the big commercial banks to lower its preferential lending with a 0.5 cut from 12.95 per cent to 12.45 per cent. Fuelling the confidence of the Bank of Spain, price rises slowed appreciably in the last months of the year to give Spain a 5.4 per cent year-on-year inflation rate at the end of December. The continuing depressed state of the economy is likely to bring the inflation rate below 5 per cent in the early months of this year.

Anticipating an easing of the intervention rates, there has

been a strong foreign-led rally in the Spanish bond market in recent weeks. Spanish debt held by non-residents rose to Pta1.87bn (£10.88m) at the end of last year from a Pta1.600bn low in mid-November and last week alone non-residents bought Pta155bn of government paper.

The Bank of Spain prepared the ground for yesterday's cut by injecting Pta58bn into the interbank market on Thursday, against a requirement of only Pta200bn, which brought the overnight rate down from 14.60 per cent to 14.05 per cent.

Analysts said there was room for further cuts in the benchmark rate as the differential in real interest rates between the peseta and the other EMS currencies remains very high. Three month Europesta rates stand at around 600 basis points higher than the Euromark.

In February last year the intervention rate stood at 12.40 per cent, and the government, which faces elections this year, will be tempted to bring the current rate down further if the peseta remains strong and the inflation figures continue to improve.

Defence cuts may undermine Nato, Wörner warns

By Lionel Barber in Brussels

THE Nato alliance's chief mission, the defence of western Europe, risks being undermined by sharp cuts in defence spending by its members, Mr Manfred Wörner, Nato secretary general, said yesterday.

Mr Wörner warned that some - perhaps all - alliance members could be tempted to ignore the main defence force by focusing on innovations such as peace-keeping and the creation of a mobile rapid reaction force.

Belgium has announced plans to cut its armed forces by nearly 50 per cent to 45,000 in 1995; the Netherlands aims to cut the size of its army by more than half to 37,000 by the end of the century. These figures are inflated by the decision to end conscription by 1995 and 1996 respectively.

Other Nato allies - all hard-pressed by the recession - are considering deep defence cuts. Germany faces a huge budget deficit because of the costs of unification.

At a news conference in Brussels, Mr Wörner reaffirmed that Nato remained the principal forum on European security questions. The Western European Union - the nascent defence arm of the European Community - was still complementary but subordinate to Nato, he said.

Nato officials are worried that defence cuts in Europe will provoke retaliation in

Washington. Already, the US Congress has passed a bill which reduces US spending on Nato infrastructure this year to \$60m (£39.4m), down from a planned \$240m. The US traditionally contributes a quarter of annual Nato spending on infrastructure.

Defence planners are worried that Nato's European allies are reluctant to make up the shortfall.

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Japan's trade surplus surges to \$107.06bn

By Robert Thomson in Tokyo

JAPAN'S trade surplus surged 37.6 per cent last year to a record \$107.06bn (\$70.46bn), as demand for imports weakened and the politically-sensitive surpluses with the US and European Community each rose by 14 per cent.

The Japanese government is concerned that the record surplus, far exceeding the previous high of \$82.7bn in 1988, will attract criticism from the new US Administration, which has indicated that it will take a tougher line on trade.

Officials at the Ministry of Finance said an emergency economic package introduced late last year should stimulate demand for imports, but the Bank of Japan conceded that the surplus is unlikely to decline in the near future.

Customs-cleared exports rose over the year by 8 per cent to \$239.76bn, while imports were 1.7 per cent lower at \$232.70bn, the first decline since 1988 and a result of falling capital investment and a slowing of demand for imported luxury goods, particularly those from Europe.

During December, the surplus rose 12 per cent from the same month last year to \$11.23bn, following a 4.3 per cent increase in exports and a slim 0.3 per cent gain in imports.

General machinery exports

expanded by 11.9 per cent and those of chemical products were 11.4 per cent higher.

Japanese officials said the expansion of the surplus reflected fluctuations in exchange rates and commodity prices, but the export increase came partly from the attempts of Japanese industry to utilise excess capacity created during the late 1980s, when investment in new plant rose sharply.

Over the year, exports of cars and other transport machinery rose by 11.9 per cent and semiconductor equipment by 19.7 per cent, two of the most sensitive areas of trade with the US and Europe. Imports of EC cars fell 8.7 per cent and of art works by 64.1 per cent, a by-product of the collapsing "financial bubble".

The 1992 trade statistics reflected Japan's increasing reliance on Asian markets, and the gathering momentum of the Chinese economy.

Japan's exports to China jumped 39.2 per cent and imports from China were 19 per cent higher, while Japan's surplus with the newly-industrialised economies of Asia rose 17.6 per cent.

However, Japan's trade with Russia fell sharply, with exports down 49 per cent and imports 27.7 per cent lower. Exports to the UK rose 11.3 per cent to \$12.3bn, while imports from the UK were down 2.4 per cent to \$4.9bn.



Emperor Akihito declares open the new session of parliament in Japan yesterday. Prime Minister Kiichi Miyazawa pledged to expand Japan's international peace-keeping role, boost its economy and restore popular trust in politics.

Clinton introduced to ways of Washington

By Jurek Martin in Washington

PRESIDENT Bill Clinton has now joined the sort of club of which he would rather not be a member. Like five of his six predecessors, he has seen a nominee go down in flames and his own administration get off to the sort of start it would have preferred to avoid.

In accepting Ms Zoe Baird's withdrawal as prospective attorney-general, Mr Clinton essentially decided to cut his losses and save his credits for a battle more central to his presidency, like health care and jobs creation. But sacrificing a nominee in the first two days of office does not quite convey the sense of strength and purpose that he hoped he would bring to the office.

Weighing on Mr Clinton's mind must have been the precedents which provide conflicting advice. President George Bush stuck with the nomination of John Tower to be defence secretary, lost it, and never really regained the upper hand with Congress.

President Jimmy Carter faced two such battles. He stuck with Mr Bert Lance, his budget director, and won confirmation, only to have Mr Lance resign under a cloud of scandal six months later. He let Mr Theodore Sorensen, his CIA nominee, withdraw. The

combination of both affairs may have marked the beginning of the slow unravelling of confidence in his presidency.

President Ronald Reagan saw a lesser state department nominee, Mr Ernest Lefever, a particularly controversial right winger, denied office, but that proved to be a mere blip on his first term. In 1987 he could not get Senate approval of Mr Robert Bork for the Supreme Court, a fate that also befell the Court nominees of Presidents Johnson and Nixon later in their terms.

Ms Baird was undone, politically, by a curious combination of circumstances. Mr Clinton himself seems to have chosen her at the very last minute - she was previously in line to be White House legal counsel. Exactly what he knew about her personal problems in employing an illegal immigrant couple remains unclear.

In the crunch, he never stood four square behind her, which exposed the weakness of her own political constituency. As a corporate lawyer, she seemed to appeal more to Republicans in the Senate than to Democrats. She had not been in the forefront of any of the progressive movements so dear to the Democratic Party.

This week she picked up two powerful opponents, both Democrats, in the persons of two principled (and black) law pro-

fessors - Ms Barbara Jordan of Texas University and Ms Patricia King of Georgetown. Both said that someone who has admitted breaking the law, as Ms Baird had, was disqualified from being the nation's chief law enforcement officer.

Her crime was quickly deemed a "yuppie" offence, and much was made of the fact that someone who was earning \$500,000 a year did not have to stoop to employing illegal immigrants. That the offence is rampant in Washington and the nation's more affluent suburbs mattered less than the floods of hostile mail received by the Senators from their less affluent constituents and by the weight of opposition reflected in instant polls and talk show conversations, many of which recalled Mr Clinton's campaign promise to respect those who "paid their taxes... and played by the rules."

Even if Mr Clinton can limit the damage, he is still left with a tricky problem of finding another attorney general. The women's lobby, which had begun to distance itself from Ms Baird in the last 48 hours, still expects a woman to run the justice department, which was the President's proud proclamation just last month.

At the very least President Bill Clinton has received an early and salutary education in the ways of Washington.

Firm recovery 'may take some time'

By Charles Leadbeater in Tokyo

JAPAN'S economy will not start to recover until the second half of this year, the Bank of Japan warned yesterday in its quarterly economic outlook. But the economy will avoid a severe credit crunch threatened by a financial system weakened by bad debts.

The bank said private sector demand would not recover in the first six months of the year, with personal consumption stagnant and corporate investment

depressed. "It may be some time before business sentiment exhibits any firm recovery," the bank warned.

The report said the economy would gradually recover as last year's cuts in interest rates and the recently approved supplementary budget of public works filtered through into the economy.

Economists believe the bank will soon come under renewed pressure to cut interest rates further with inflation abating and consumer confidence waning. The ruling Liberal Democratic Party is preparing

a spring economic package to boost the economy.

The Tokyo stock market remains vulnerable to a renewed fall if companies start to sell some of their holdings of securities to boost their profits towards the end of the financial year in March.

The bank insisted there would be no credit crunch as the hard pressed Japanese banks are ready to expand lending as the economy recovers. Low bank lending has been one of the main factors behind the recent contraction in the money supply, which fell by 0.5 per

cent in the last three months of the year.

Large companies have had no problems funding their borrowing needs through issuing bonds and commercial paper. However, smaller companies, which are exhausting their capacity to fund investment through selling liquid assets are starting to increase their loan demand.

Commercial banks are relaxing lending policies for their branches partly because they are alarmed at the decline in the volume of business.

The report also predicts that the money supply will soon begin to recover with the increase in public spending on public works.

Mr Kiichi Miyazawa, the prime minister, addressing the opening of the Japanese parliament, said the economy was in a grim state and Japan was in the midst of political and social upheaval.

He called for Japan to increase its international contributions, for social reforms to create a better quality of life for consumers and for political reforms to eliminate corruption.

Summers faces thorny task of revitalising G7

By Michael Prowse in Washington

HE is undoubtedly clever, forceful and articulate, but is he a natural diplomat? That is the question likely to be asked about Mr Lawrence Summers, named this week as under-secretary for international affairs at the US Treasury - the post held in the Bush administration by Mr David Mulford.

At the Treasury, Mr Summers is likely to have prime responsibility in two crucial areas - economic policy co-ordination between the Group of Seven leading industrial countries and support for economic reform in the former Soviet republics.

His new boss, Mr Lloyd Bentsen, the Treasury Secretary, has emphasised his desire to revitalise the G7. The delicate task is likely to fall to Mr Summers.

The potential for conflict is considerable. The US badly wants other G7 powers to shore up its still fragile recovery by stimulating their own economies. Mr Summers is likely to argue that countries like Germany, should put less stress on fighting inflation and more on promoting growth and jobs.

Mr Summers moves to the Treasury from the World Bank where he was serving as chief economist, on leave from his economics chair at Harvard University. He has long coveted a top Washington job, having served as economic adviser in the abortive 1988 Democratic presidential campaign.

He initially set his sights on the chairmanship of President Bill Clinton's Council of Economic Advisors. That job went to Ms Laura Tyson.

But if confirmed by the Senate, Mr Summers may find the Treasury international post a sweet consolation prize. He will be intimately involved in



Summers: need for diplomacy

day-to-day policymaking; the CEA, by contrast is an advisory body with no direct line responsibility.

Nobody doubts Mr Summers' intellectual abilities. He received tenure at Harvard at the unusually young age of 28 and became a prolific author of academic papers in diverse fields, including tax theory (he is a trenchant supporter of investment tax credits), unemployment and the efficiency of financial markets.

Mr Summers' stint at the World Bank, however, was not without controversy. Unusually for an academic, Mr Summers speaks with an assurance bordering on arrogance; he has an almost Thatcherite lack of self-doubt.

His worst error was an insensitively written memo that appeared to advocate the dumping of toxic waste in less developed countries.

According to Mr Summers, the memo was intended to spark internal debate, not a policy recommendation. It nevertheless infuriated environmentalists and may have cost him a Cabinet level post in the Clinton administration. At the Treasury, similar mistakes of judgment could have far worse consequences.

Protests over move to lift curbs on abortion

By George Graham in Washington

ANTI-abortion protesters gathered in front of the White House yesterday as President Bill Clinton prepared to reverse some of the restrictions on abortion imposed during the Reagan and Bush presidencies.

The White House said Mr Clinton would sign executive orders lifting restrictions on abortion counselling or referrals by anyone other than qualified doctors at clinics which receive federal funding.

A five-year ban on federal funding for research using tissue from aborted foetuses was also expected to be overturned.

The moves came on the 30th anniversary of the Supreme Court decision in Roe vs Wade which established the right to privacy, grounded in the 14th amendment to the US constitution, protects a woman's decision whether or not to bear a child.

Congressional leaders, who are worried that today's more conservative Supreme Court might overturn the Roe vs Wade decision, are planning legislation enshrining its principles in law. These principles give entire freedom to a woman and her physician in the first three months of a pregnancy, allow some state regulation in the second three months and permit states to ban all abortions in the third three months, except where the mother's life is in danger.

Although the abortion issue does not split entirely along party lines, the Democrats have in general supported the right to choose an abortion, while the Republican party has taken a pro-life position. Some abortion rights campaigners hope that with presidential backing they can now from the defensive and emphasise education and contraception, in an effort to reduce the number of abortions.

The Center for Disease Control estimates that around 1.6m abortions take place in the US every year, approximately one for every three live births.

Ceasefire 'survives' as US aircraft fire missiles in Iraq

By George Graham in Washington

US aircraft again fired missiles yesterday at an Iraqi air defence battery that had turned on its radar, but neither side seemed anxious to declare that the ceasefire ordered by Iraqi President Saddam Hussein had broken down.

Iraq said it had no missile batteries in the area.

US officials said the activation of the radar could be a deliberate provocation by Iraq, but added that it was also possible that an individual anti-aircraft battery had not received or had disobeyed the ceasefire order.

Orders issued to US, French and British aircraft patrolling the two air exclusion zones in northern and southern Iraq have not changed since the new US administration of President Bill Clinton took office on Wednesday. Pilots may fire to protect themselves in the

event of any hostile or threatening action by Iraqi aircraft or ground defences.

Threatening action certainly includes "lock-on" by fire control radar attached to anti-aircraft missile batteries. Pentagon officials say a pilot on the receiving end of these high frequency radars generally knows he is seconds away from being a missile target.

It is less clear whether coalition aircraft are also authorised to fire when they are "painted" or "illuminated" by search radar, which operate at much lower frequencies.

US aircraft on Thursday attacked a radar which had merely illuminated them, but immediately before the radar was switched on they had come under anti-aircraft artillery fire.

President Clinton and his advisers have made clear that they are sticking to the policy of insisting that Iraq comply fully with United Nations resolu-

tions, and of responding to any threat against allied aircraft in the no-fly zones.

James Whittington in Baghdad adds: Diplomats in Iraq said yesterday the regime seemed to have reversed its former aggressive tone towards settling the crisis, but questioned whether it would last.

All heads of the remaining diplomatic missions in Baghdad were yesterday summoned to the Iraqi foreign office to be told by the foreign minister, Mr Mohammed Said Kazim al-Sahhaf, that Iraq intends to stick to its ceasefire. The minister denied that its army had triggered Thursday's attack in the north by switching its radar on.

The regime has published an opinion poll showing that 82 per cent of Iraqis said they supported Mr Saddam Hussein's peace initiative while 18 per cent said they wanted further military confrontation.

Battle to control blazing supertanker

By Kieran Cooke in Kuala Lumpur

TUG boats and fire fighting vessels were last night battling to prevent an environmental disaster and control a fire on board the Maersk Navigator, a fully-laden supertanker drifting 100 miles off the northern tip of the Indonesian island of Sumatra.

The supertanker, carrying nearly two million barrels of crude oil, collided with a smaller unladen tanker at the northern entrance to the Malacca Strait early on Thursday. The 24-man crew, including the British captain, abandoned ship and were rescued by a passing vessel.

The Maersk Navigator's Danish owners say the supertanker is leaking oil and a slick two miles long and 200 metres wide was reported yesterday. The owners say the oil is seeping from one of twelve cargo holds.

The ship is reported to be drifting slowly away from land

and the owners say it is likely that any oil spilled so far will evaporate. A salvage crew has managed to board the vessel and tug boats have attached lines. But there is still no independent assessment of the scale of the problem.

The coastal authorities in Indonesia, Malaysia and Singapore have been put on alert, ready to tackle an oil spillage. Both the Maersk Navigator and the Sanko Honour, the other ship involved, are registered in Singapore. The authorities there have launched an investigation.

A Singapore salvage expert said the salvage teams will try to contain the fire on board the Maersk Navigator and assess how serious is the leak from its cargo tanks. "It could take several days to cool the vessel down and transfer such a large amount of oil onto another supertanker," he said. "It's a very delicate operation and there's always the possibility of an explosion."

Major goes to India

By Ralph Atkins in London

MR JOHN Major, the British prime minister, leaves for India today planning to stress the importance of further economic reform in the country if British investment there is to expand.

Whitehall officials were playing down the likelihood of deals being announced during the prime minister's trip. But he will be accompanied by 17 businessmen from some of Britain's largest companies, including British Aerospace which is hoping for progress on a contract to sell Hawk trainer jets to the Indian air force.

Britain is the largest foreign investor in India. Mr Major will be guest of honour at India's republic day celebrations on Tuesday. He is expected also to discuss nuclear proliferation and Kashmir with the Indian government.

Likud candidate in sex scandal accuses rivals of dirty tricks

By Hugh Carnegie in Jerusalem

ISRAELIS yesterday got the news they had been waiting for all week. It was not about Iraq, or the Palestinian deportees crisis. It was the naming of the "other woman" in a scandal which has engulfed Mr Binyamin "Bibi" Netanyahu and threatened his powerful bid to become leader of the rightwing opposition Likud party and, perhaps, Israeli prime minister. The scandal, inevitably dubbed "Bibi-gate", is much more than a tabloid pot-boiler over Mr Netanyahu's self-confessed adultery. He himself has made it a central issue in his campaign to succeed retiring former premier Mr Yitzhak Shamir as party leader in March.

Mr Netanyahu, a former junior minister, is best known as Israel's high-profile spokesman during the Gulf war. He says an alleged attempt by Likud rivals to blackmail him over an extra-marital affair symbolises the corruption within Israeli politics which he means to end in a new era of American-style open democracy. His opponents counter that his accusations

believe an erratic man who they say is consumed only by personal ambition.

The scandal emerged when Bibi, as everyone calls Mr Netanyahu, appeared on television to announce that his wife Sara had been telephoned with a threat to make a videotape of Mr Netanyahu in a "compromising romantic situation" if he did not withdraw from the leadership election. Mr Netanyahu admitted to an affair which he said had ended, but denounced the alleged blackmail as the work of supporters of an unnamed Likud rival who, Bibi said, surrounded himself with criminals. He reported the issue to the police, who are investigating the blackmail allegations.

Yesterday, newspapers fuelled the row when they revealed that the woman in question was Mr Netanyahu's former public image adviser whose husband is now seeking to divorce her, citing her relationship with Mr Netanyahu.

Mr Netanyahu's blackmail accusation was assumed to be aimed at the camp of Mr David Levy, the former foreign minister. Mr Levy dismisses the allegations as

preposterous. His supporters say Bibi was angered that Mr Levy, in a tireless round of appearances at private events such as marriages, bar-mitzvas and circumcisions, had registered more party members for the leadership contest than Bibi. The outburst, they say, was an attempt to damage Mr Levy.

Both Mr Levy and the other main Likud candidate, the po-faced Mr Binyamin Begin, scorn Mr Netanyahu's Americanisation of Israeli politics, with his well-narrated, highly-personalised public campaigning.

But Mr Netanyahu, educated at the Massachusetts Institute of Technology, is far from beaten. His approach to politics does appear to be in tune with modern Israelis. He has several times been voted the country's most desirable man. Yesterday, a poll put him, at 34 per cent to 26 per cent, ahead of Prime Minister Yitzhak Rabin in public popularity and streets ahead of both Mr Begin and Mr Levy.

"I believe I will become prime minister. My self-confidence is untouched," Mr Netanyahu said in a newspaper interview.



Bibi Netanyahu: self-confidence untouched

US housing starts up

By Michael Prowse in Washington

THE Commerce Department yesterday reported a 5.5 per cent increase in housing starts between November and December, a larger than expected increase.

For 1992 as a whole, starts rose 18.5 per cent, the first annual gain since 1986. Starts rose in all parts of the country last month, except the west, reflecting continuing recession in California.

Building permits, a guide to future construction activity, also rose sharply to their highest level in nearly three years. The rise in starts follows a mildly encouraging assessment of regional conditions this week from the Federal Reserve.

NEWS: UK

Lloyd's chief promises sharp cost-cutting

By Richard Lapper

LLOYD'S OF LONDON is poised to launch a radical assault on its cost base, Mr Peter Middleton, chief executive, told a meeting of Names yesterday.

Mr Middleton said neither he nor Mr David Rowland, the chairman of Lloyd's, would be prepared to continue in their jobs if the cuts were not implemented by agencies and brokers.

He told a meeting organised by the Society of Names, which acts as a pressure group for loss-making Names: "The market must accept them or it will continue to slide. I

don't want to be connected with an enterprise that doesn't want to be the best."

Mr Middleton intends to produce a detailed business plan by the second half of April.

He said: "The changes are going to be very painful, but they are very necessary. Unless we implement them, we will have no basis on which to attract capital."

Failure to implement the changes would condemn Lloyd's to "mediocrity and growing irrelevance in the world of insurance. It is that serious."

Potentially far-reaching changes to the Lloyd's agency system - which

connects the market's individual traders or Names with their underwriting syndicates - are under consideration as part of the business plan.

In particular Mr Middleton will look carefully at the future of members' agencies, which deal directly with the affairs of Names.

"I think it would be better to centralise everything other than investment advice and recruitment of Names," said Mr Middleton.

He was bitterly critical of the way the market processes claims. "A flow-chart of the claims payments system resembled a combination of the New York subway, the London

Underground and the Paris Metro, with a map of the European railway network superimposed."

Lloyd's had managed to "make a very simple system terribly complicated", he said.

The market needed to revamp the way it collected and analysed data, added Mr Middleton. He said: "Some of the ways information is collected are 10 times more costly than need be."

Mr Middleton has already announced a cut in the budget of the corporation, which administers the market, from £145m to £117.9m. Mr Middleton intends to tell corporation staff how the cuts will be imple-

mented by the end of February. Lloyd's has welcomed a US court judgment in a multi-million dollar dispute involving pollution at a site operated by Shell Oil at the Rocky Mountain Arsenal in Denver, Colorado.

The California Court of Appeal ruled that liability for pollution at the site is excluded from the company's insurance policies, where Shell manufactured chemicals from 1952.

Underwriters at Lloyd's were among a number of insurers which provided liability coverage to Shell, which manufactured chemicals there from 1952.

Shell was obliged to clean up the site with the cost estimated at more than \$1bn (£500m). The London market's potential exposure is estimated at several hundred million dollars.

The case is one of dozens involving insurers, including Lloyd's and companies in the London market, and US policyholders.

Shell originally filed suit against its insurers in 1983, seeking to show that its insurance policies made insurers liable. In 1988 insurers won initial judgment in the San Francisco Court.

Lloyd's said: "This is a very welcome decision in important and extremely complex litigation."

Hoover's Glasgow plant saved

HOOVER'S production plant at Glasgow has been saved through a deal yesterday between the US consumer product company and the Amalgamated Engineering and Electrical Union, Robert Taylor writes.

The 1,000-strong workforce at the Cambuslang plant has approved the agreement. An estimated 700 jobs will be created - 400 at Cambuslang and the rest at Hoover's production facilities at Merthyr Tydfil, south Wales.

The agreement involves a 12-month pay freeze and radical changes in working practices, including the introduction of flexible and interchangeable skill working.

Hoover is expected to announce the closure of its French production plant at Dijon next week.

Editors to widen complaints body

NEWSPAPER editors yesterday signalled they were prepared to respond to criticism of the Press Complaints Commission by changing its composition to guarantee a majority of members from outside the industry.

A statement by the Newspaper Publishers Association said a meeting of 21 editors unanimously rejected the proposal in the Calcutt report on press freedom for statutory regulation. But they agreed that wider membership of the commission should be accompanied by changes to its code of practice to safeguard against self-censorship and bias.

The editors agreed also to consider a proposal from some newspapers that appointments to the commission might be made by a body independent of the industry.

EC business law to be scrutinised

THE IMPACT of European Community law on business will come under government scrutiny aimed at minimising intrusion.

Mr Michael Heseltine, the trade and industry secretary, is to supervise the exercise which will have a steering group including two representatives from the private sector.

Nissan fears over football club plan

NISSAN, the car manufacturer, yesterday said it was concerned that Sunderland Football Club's plans for a new 48,000-seat stadium, shopping and leisure complex on land next to its car plant could create traffic congestion which would affect its strictly scheduled just-in-time component deliveries.

The club's proposed £120m complex on green-belt land beside Nissan's 750-acre Sunderland site includes parking for nearly 20,000 cars.

Underwriter dies of gun wound

MR ROY BROMLEY, 71, the former underwriter of Lloyd's syndicate 478, has been found dead of a shotgun wound at his home in London. Police are not treating the death as suspicious.

Mr Bromley's syndicate specialised in catastrophe reinsurance. Knightstone, the agency now managing the syndicate's affairs, recently estimated losses were at least £50m, double the syndicate's £25m capacity or capital base.

Student's Charter limit announced

THE Student's Charter will not establish minimum national standards for higher education but will largely be limited to setting out rights of students within their institutions, Mr Tim Boswell, higher education minister, said.

He added: "It would be wrong for us to try to dictate from the centre any kind of national service standards."

Reports into the future of the coal industry

Government view on closures supported

By David Lascelles, Resources Editor

THE thick set of reports which the Department of Trade and Industry issued yesterday will make depressing reading for the coal lobby.

The independent consultants hired by the DTI to illuminate the coal debate support in grim detail what the government has claimed all along: that British Coal's present size cannot be justified commercially, and that it will have to undergo deep cuts very quickly if it is to have any worthwhile future at all.

The only crumb of comfort is that a cost-cutting exercise might save a small number of pits currently listed for closure.

As the four reports make clear, British Coal is in a shrinking market where its costs are far above those of foreign competitors.

US mining engineers John T. Boyd Company, which examined the viability of British Coal's pits, commends the corporation for its 234 per cent increase in productivity over the last seven years, but points out that Australian and US coal miners are still three to five times more productive.

Because British Coal can never hope to match overseas producers - partly for reasons beyond its control such as geology - its future is irrevocably linked to whatever it can secure of the UK market.

However Caminus Energy, which was asked to look at future demand for coal in the UK, expects it to fall from 95.3m tonnes in 1991-92 to 71m in 1997-98 at the most, possibly as little as 58.8m. The difference depends on the way energy prices move over the next few years. If they stay high British Coal will be able to hold on to more of the market, but if they weaken, it will lose out. Its main rival, Cami-

MAIN POINTS

John T. Boyd:

■ In the context of reduced market size, the general strategy and overall future for each pit announced in October appears reasonable.

■ Significant cost reductions, plus improved safety and productivity, could be achieved by the application of modern technology.

■ Important to address technological and structural problems as soon as possible to achieve cost benefits and a healthy, competitive industry.

■ Past performance is not a reliable measure of future potential as all collieries in the list of 21 would need to achieve substantial improvements in productivity and operating cost.

Caminus Energy:

■ UK market for coal set to contract sharply over the next five years, primarily because of reduction in coal use for power generation in England and Wales as new gas-fired plant comes into operation.

■ Gas prices would need to increase to about double the level of existing contracts in real terms for coal to become more economically attractive in new plant.

■ Natural gas which provides much cheaper power generating capacity than coal, and is environmentally friendly.

Faced with this harsh reality, the question is how far British Coal can go in bringing down its costs, because the cheaper the coal it can produce, the greater the share of the market it will command. The reports look at 21 of the 31 pits which British Coal wants to close - the other 10 were listed for immediate closure and are being examined separately.

John T. Boyd visited all the pits under review and came up with two possible scenarios. In

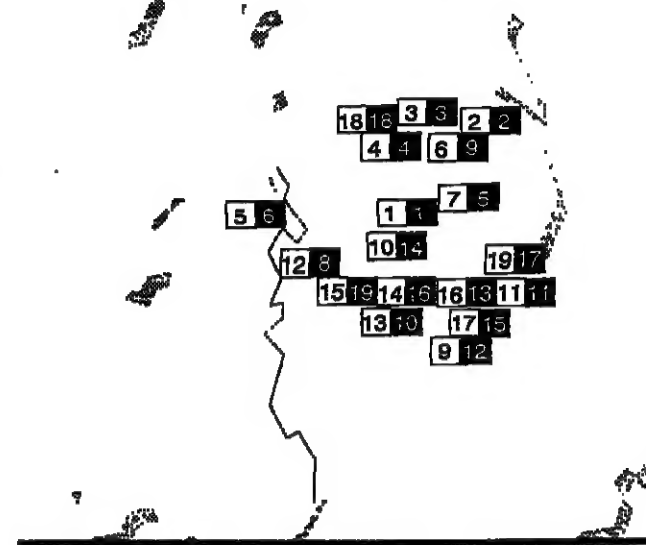
the first, it assumed that working practices are unchanged, but that new technology is introduced and labour reductions are accelerated - a continuation of present trends. In the second it assumed that work practices are improved to create more flexible shifts, and that mining regulations are changed to allow further cuts in manning levels.

The differences are striking. By April 1996 British Coal could be producing 13m to 19m tonnes more coal annually in the second scenario, depending on the exact cost level. However it would have to bring its costs down substantially. UK coal is costed at £1.51 per gigajoule for the next set of contracts starting in April, against international prices of £0.90.

John T. Boyd assumes prices can be brought down to the £1.10 to £1.40 range. The market prospects are assessed by Caminus which also looked at different scenarios. In the first, it assumed international fuel prices would be high with coal trading at £1.31 a gigajoule. In this case, sales would be 53.9m tonnes in 1997-98. In the second it priced coal at only £0.90 a gigajoule, and sales fell to 22.8m tonnes.

Although this showed, again, that British Coal will do better in a high-price market, both forecasts are well down on the 85.7m tonnes sold last year. However there is a ray of hope here for the miners because the 1997-98 figure includes 42.4m tonnes of coal for the power generators, well above the 30m which British Coal now expects to sell to them. But to achieve this extra 12.4m tonnes, everything - the cost savings and the international fuel price - would have to go British Coal's way.

Although Caminus does not say what this would mean in terms of pits and jobs saved, the rule of thumb is 1,000 jobs and one pit for



Projected British coal sales

High coal scenario (m tonnes)

	1991/2	94	94.5	95	95.5	96	97
Power sector	73.0	34.9	41.2	43.6	45.8	47.8	49.4
Non-power sector	11.3	10.6	10.7	10.7	10.7	10.6	10.5
Exports	1.4	1.3	1.2	1.1	1.0	0.9	0.8
TOTAL	85.7	46.8	53.1	55.4	57.6	59.3	60.7

Assuming high international fuel prices and 9 gigajoules of combined cycle gas turbine in England & Wales 1997-98

Low coal scenario (m tonnes)

	1991/2	94	94.5	95	95.5	96	97
Power sector	73.0	10.7	13.6	11.7	16.0	18.3	18.3
Non-power sector	11.3	9.1	7.7	6.5	6.3	6.0	6.0
Exports	1.4	1.2	1.0	0.8	0.7	0.5	0.5
TOTAL	85.7	21.0	22.3	19.2	23.0	24.8	24.8

Assuming low international fuel prices and 12 gigajoules of combined cycle gas turbine in England & Wales 1997-98

Source: Caminus Energy

every 1m tonnes.

All the reports go into how British Coal could cut its costs in some detail. John T. Boyd provides a string of recommendations, including giving the local colliery manager more autonomy, further introduction of new technology, and changes in existing work restrictions and statistics.

Ernst & Young, the accountancy firm, was asked to look at administrative overheads

which, it says, have not fallen in line with cuts at the workplace. It believes British Coal could save £73.5m to £107.1m a year by 1998-97 by cutting and simplifying the administrative system. But this would involve the loss of about 3,000 white-collar jobs. Ernst & Young recommended that a small corporate office be retained in central London, with other headquarter services re-located close to a col-

Pits under threat*

Economic ranking

Case 1†		Case 2‡			
	Projected margin £ per gigajoule		Projected margin £ per gigajoule		
1	Malby	0.21	1	Malby	0.41
2	Hatfield	0.15	2	Hatfield	0.36
3	Prince of Wales	0.10	3	Prince of Wales	0.27
4	Frickley	0.10	4	Frickley	0.27
5	Point of Ayr	0.04	5	Rossington	0.28
6	Bentley	—	6	Point of Ayr	0.18
7	Rossington	-0.02	7	Wearmouth	0.12
8	Wearmouth	-0.06	8	Silverdale	0.14
9	Calverton	-0.06	9	Bentley	0.11
10	Kiverton Park	-0.09	10	Shirebrook	0.08
11	Blethorpe	-0.13	11	Blethorpe	0.04
12	Silverdale	-0.11	12	Calverton	0.02
13	Shirebrook	-0.13	13	Cipstone	0.01
14	Marlham	-0.15	14	Kiverton Park	-0.01
15	Bolsover	-0.23	15	Rufford	-0.03
16	Cipstone	-0.25	16	Marlham	-0.05
17	Rufford	-0.28	17	Bevercotes	-0.19
18	Sharlston	-0.38	18	Sharlston	-0.23
19	Bevercotes	-0.42	19	Bolsover	-0.38
20	Weston	-0.52	20	Weston	-0.46
21	Easington	-0.55	21	Easington	-0.55

British coal costs and output (in April 1992)

Coal level £ per gigajoule	Case 1† m tonnes	Case 2‡ m tonnes
1.10	2	15
1.20	13	32
1.30	22	41
1.40	34	47

Source: Boyd

* The list does not include 10 mines earmarked by British Coal for early closure

† Case 1 assumes present mining regulations in force

‡ Case 2 assumes law changes to allow longer shifts and there are compulsory redundancies

MPs back Sunday shopping curbs

By David Owen

PRESSURE ON the government to speed up reform of Sunday trading laws in England and Wales intensified yesterday as MPs voted decisively to allow a private member's bill seeking tight restrictions on Sunday opening to progress to line-by-line committee stage scrutiny.

Mr Ray Powell's Shops (Amendment) Bill - backed by the Keep Sunday Special campaign - received its second Commons reading by a majority of 173 (214 votes to 41).

Supporters of the proposals later called on the government to accept their offer to consider constructive amendments to the bill in order to get a law on the statute book by this summer. But Mr Peter Lloyd, home office minister, told MPs the changes deemed necessary by the government were "more than can be managed" in a private member's bill committee.

He said he would be "disappointed" if the government's Sunday trading bill, offering MPs a choice between options ranging from full-scale deregulation to a tightening of existing laws, was not ready in the next few weeks. But he admitted he held out little hope of bringing such a bill before the House until autumn.

Mr Michael Schluter, director of the Keep Sunday Special campaign, said the campaign would continue to co-operate with those drafting the government's bill but reserved the right to ask its supporters to oppose the measure if it did not include "proper employee protection".

Audit regulation regime 'has improved standards'

By Andrew Jack

MORE THAN 90 per cent of auditors think the quality of their work has improved following the introduction of the new audit regulation regime, a survey showed yesterday. And more than a third say they have noticed considerable improvement.

Many accountants have had to make changes to their methods, systems, quality controls, staff training and administration in the past year, according to 176 practitioners questioned by Audit Briefing, a monthly newsletter published by Tolley, financial publishers.

Audit regulation was introduced by the 1989 Companies Act and became active in October 1991, with the launch of inspections by self-regulatory monitoring bodies. The survey showed that substantial changes had been made in preparation for the regime, although only 11 per cent of those questioned had been visited by regulators.

A third believed more audit work was now required for particular types of client, especially for small and family

A CHARTERED accountant has been reprimanded and fined £2,000 for auditing a company without being properly appointed its auditor.

Mr Alan William Deighan of Ilford, Essex, was also ordered to pay £1,200 in costs by the disciplinary committee of the Institute of Chartered Accountants in England and Wales.

In a separate appeal, Mr Leslie Neil Eriera of Barking, Essex, was stripped of membership of the Institute and ordered to pay £750 costs after being found guilty in the Crown Court last year of two offences of false accounting.

Mr John Fowler of Bishop Auckland, County Durham, was severely reprimanded and

businesses and other regulated clients. More than 90 per cent of firms had experienced an increase in chargeable hours required to audit the average client, and a corresponding increase in costs.

In view of the competitive market for audit services, more than half the firms absorbed at least part of the costs.

Nearly 90 per cent felt the

work required to comply with audit regulation was to some degree superfluous. But three quarters of those visited by the regulators felt their recommendations were reasonable, two thirds that they were of considerable use, and 16 per cent believed they were very useful.

Audit Briefing, Tolley House, 2 Addiscombe Rd, Croydon, Surrey, CR9 3AF, ES.

Jaguar plans £700m investment

By Kevin Done, Motor Industry Correspondent

JAGUAR, the UK luxury carmaker and a subsidiary of Ford of the US, said yesterday that it plans to invest about £700m during the next five years in the development of new models and the modernisation of its production plants.

The five-year business plan to 1997 includes:

● The development of replacement models for Jaguar's existing XJ6 saloon and XJS coupé and convertible ranges.

● The addition of smaller sports saloons to compete with models such as the BMW 5-Series, and

● The development of a range of V8 engines to be built at the Ford engine plant at Bridgend, south Wales.

The programme to develop a revamped XJ6 saloon, code-named X300, which is due to be launched in the autumn of next year, has already been approved by Ford, which acquired Jaguar in 1989.

Lautro reports low standards

By John Authers

A QUARTER of the companies inspected by Lautro, the life insurance industry's watchdog, in the year to June 1992 did not have procedures adequate to ensure that suitable advice was provided to clients.

Mr Kit Jebens, Lautro's chief executive, said: "I don't think standards are where we want to get to."

He added that the shortcomings of companies had often come from lack of understanding rather than deliberate neglect, but added that after five years of the self-regulatory regime "35 per cent is too high a failure rate".

The annual report of Lautro's monitoring committee also shows that complaints increased by 17 per cent from the previous 12 months, from 4,069 to 4,763. The number of "significant" complaints passed to Lautro members for action increased from 1,332 to 1,999, the report shows.

Lautro's findings are the result of its programme of 136 periodic inspection visits to members during the 12 months covered by the report. Most of

the companies inspected were life insurance companies because the regulator's main concern at present is with sales forces.

The total number of sales representatives registered by Lautro to give investment advice has declined in the past year from nearly 200,000 to about 170,000.

A new series of inspection visits will start next month, and continue for 30 months.

Mr Jebens said the figures pointed to a considerable improvement in standards in the industry, and added: "While it is impossible to guarantee that no salesperson or member will ever put a foot wrong again, we can say with some confidence that the probability is greatly reduced and that the quality of advice and client handling has improved very significantly."

He cited an independent report into one life company's client questionnaires as evidence. The report said that in mid-1988 75 per cent of these questionnaires had been inadequate to provide financial advice. By last year this had fallen to 20 per cent.

Lambeth council report alleges corruption of £10m

By Andrew Adonis

CORRUPTION and malpractice on an "unprecedented" scale have cost the south London borough of Lambeth upwards of £10m, according to a confidential report by Mr Herman Ouseley, the council's chief executive.

The report is a catalogue of work done without proper authority, unauthorised redundancy payments,

overcharging by the council's direct labour organisation and overcharging by former council employees brought in as sub-contractors by the organisation.

Some cases uncovered involve double charging. The most serious cases involve the borough's housing department.

The findings of Mr Ouseley's report may be investigated by the Serious Fraud Squad, whatever

action the council itself takes.

The report, debated by councillors at an emergency meeting last night, suggests that police be called in and recommends that an independent enquiry be established. It also raises the issue of disbanding the direct labour organisation and putting its services out to tender.

The allegations involve officials, council workers and contractors and go back more than 10 years.

Throughout most of the period in question Lambeth was under the control of a leftwing Labour administration.

Lambeth's finances have long been in a critical state. It has the highest poll tax in England - £425 after capping - and more than £157m outstanding in uncollected rents, poll tax, and rates.

Mr Steven Whaley, the council's Labour leader, called for a "no-holds-

barred" inquiry by a leading barrister, but conceded that the council had not been as "vigorous and vigilant" as it should have been.

Mr Keith Fitchett, Liberal Democrat leader, said the report reflected "a complete breakdown of management control in Lambeth, arising from the... debilitating relationship between the Labour party and local government unions."

Mr Peter Evans, deputy leader of

the council's Conservative group, called the report a "whitewash" and said it was "the tip of the iceberg."

Mr Jack Straw, Labour's environment spokesman, said he wanted "strong and effective action to deal with the quite appalling abuses revealed by this report."

"We expect to see decisions taken quickly to ensure that these abuses are never allowed to happen again."

Eddie George: determined insider to head Bank

By Peter Marsh and Philip Stephens

CAPABLE, honest, straightforward and very sound. These words appear on the school report of the 11-year-old Eddie George, at the end of his first year at secondary school in south London.

Such descriptions of Mr George's character have stayed with him during his 30-year career at the Bank of England, which culminated yesterday in his appointment as the Bank's next governor.

Largely because of his qualities of determination and reliability Mr George has been on an upward path at Threadneedle Street almost from the day he arrived.

His ruggedness of character

has enabled him to overcome the occasional setback, such as the controversy over bank supervision after the BCCI affair and Black Wednesday last September, when Britain was forced out of the European exchange rate mechanism.

While he is largely known in the financial community as a "central bankers' banker" - hard on inflation, somewhat introverted and more than a little dour - Mr George also has a lighter side to his character which comes out best in private. He is known as a highly entertaining after-dinner speaker in small, intimate gatherings.

Mr Gavin Laird, general secretary of the Amalgamated Engineering and Electrical Union, who is a member of the

MR RUPERT PENNANT-REA, the new deputy governor of the Bank of England, has been described as "a billiard ball inside a velvet glove", reflecting both his informal, friendly manner and his inner reserves of toughness.

He is young by the standards of the deputy-governor-

Bank's court of board of directors, said: "Eddie would never make TV personality of the year. But he has a quiet sense of humour and he's interested in people."

Like Mr John Major, the man who chose him for the new job at the pinnacle of the British establishment, the 54-year-old Mr George had a far from privileged background.

ship - his 45th birthday is today. One journalist who knows him and the Bank well said yesterday: "I'd describe him as highly motivated and an exceedingly imaginative choice for the job. He'll bring vision and vigour to the musty corridors and he won't be afraid to upset people. He'll

Like the prime minister, Mr George grew up in an unfashionable south-west London suburb. His childhood home was in Carshalton, Surrey, not far from the Beddington Sewage Treatment Works. His father Alan was a postman.

The young Eddie attended Hackbridge primary school. At the age of 11 he gained a scholarship to the much swankier

undoubtedly have his sights on the governorship itself."

Although the move to central banking from his present job as editor of The Economist might seem unexpected, Mr Pennant-Rea has worked at the Bank before. He was there from 1973 to 1977, initially on secondment from the research

Dulwich College, one of Britain's best-known public schools. From this point until he left in April 1987 to do two years' national service, Eddie's fees were paid for by Surrey County Council.

After national service in the army - during which he learned Russian, a language in which he is still fluent - Mr George studied economics at

department of the then GMWU municipal workers union.

When he left the Bank he was chosen by Mrs Sarah Hogg, the Economist's economics editor, as her assistant. Mrs Hogg has since become head of the prime minister's policy review staff at Downing Street.

Emmanuel College Cambridge. From there he went straight to the Bank, starting out in the economics department. He gained international experience during a three-year stint at the Bank for International Settlements in Basel in the late 1980s, before being promoted to the post of assistant director in charge of markets in 1990. He was appointed deputy gover-

nor nearly three years ago.

Among Bank insiders Mr George has a reputation for toughness. One former official said: "He's very good at handling financial markets. That means he has to be a bit devious. But I have never known him to tell an outright lie or to mislead. He doesn't mind people disagreeing with him, unless it turns out they cannot substantiate their views."

Mr Major, who worked closely with Mr George during his spell as chancellor before becoming prime minister, admires the new governor's grasp of the mood of financial markets and of the complexities of City regulation.

His appointment confirmed that the prime minister did not blame the Bank's technicians

for failing to anticipate the tide of speculation which forced sterling's election from the ERM on Black Wednesday.

Senior Whitehall officials said that Mr George was among those who advocated an earlier rise in interest rates to defend the pound. But in any event Mr Major's judgment was that it would have been impossible to save the pound.

Mr George, however, will be disappointed by Mr Major's refusal to contemplate granting the Bank independence.

For his part Mr George has been impressed by Mr Major's careful and detailed approach to policy-making. After dealing with him at the Treasury, he told friends that Mr Major was the "clearest-thinking politician I have ever met".

■ Passengers largely concerned about quality of service ■ Big shareholders uneasy at chairman also being chief executive

Customers show no signs of leaving BA

By Michael Skapinker and Gillian Tett

BRITISH AIRWAYS staff might feel angry and humiliated by the publicity surrounding the Virgin Atlantic "dirty tricks" campaign, but the company's customers show no sign of abandoning the airline.

At Heathrow airport yesterday, Ms Yvonne Kirk, a retail consultant, said: "If you've got a nine or 10-hour flight ahead of you, you're more worried about service than anything else."

Ms Kirk, who was waiting to board her club class flight to Japan, said "looking after myself" remained her top priority in choosing flights.

BA staff said they had received no complaints from customers about the events.

Ironically, it has been Virgin which has remained most nervous of publicity: airport staff at Gatwick airport yesterday refused to allow Virgin passengers to be interviewed in the airport. According to the airline this was to avoid charges of "profiteering" from the events.

Some BA passengers at Heathrow expressed disappointment with the airline's behaviour but said it would not affect their choice of carrier. A senior manager flying

WHEN British Airways staff at Heathrow airport switched on their computers yesterday, they were greeted with the next twist in the British Airways affair - Lord King's latest statement had been placed on the system and staff were "advised" to read it, Gillian Tett writes.

In spite of the official apology, desk staff in Heathrow remained defiant, insisting that BA was not alone in its aggressive marketing campaign.

"It's not just us that has done this sort of thing. Other airlines do it too," said Ms Karen Granahan, a BA customer service duty manager, citing two other carriers which she claimed had previously tried to poach BA customers at the airport - a claim echoed by other airline staff throughout the terminal.

BA staff said they had received no complaints from customers about the events. Ironically, it has been Virgin which has remained most nervous of publicity: airport staff at Gatwick airport yesterday refused to allow Virgin passengers to be interviewed in the airport. According to the airline this was to avoid charges of "profiteering" from the events.

Some BA passengers at Heathrow expressed disappointment with the airline's behaviour but said it would not affect their choice of carrier. A senior manager flying

campaign would not stop them flying BA in future.

Mr Marvin Goodman, an American businessman waiting to board a Virgin flight, said he would continue to fly with BA "whenever convenient". He added: "I wouldn't change my travel plans because of this kind of brouhaha."

Ms Louise McDonald, a transatlantic economy passenger with Virgin, said there were still good reasons for flying BA. "All the stories reflect badly on them, but you've got to look at the safety record. Although I might now be hesitant about British Airways, their safety record is excellent."

Travel companies booking flights for corporate clients said they had no evidence that disaffected customers were preparing to abandon BA. So great is the airline's power in the travel business, however, that some felt they should say even that anonymously.

A manager with one large business travel chain said: "We're uncomfortable talking about it. BA is a very big business partner of ours and we also have strong business links with Virgin." He added: "This story might have caused a lot of controversy, but the bottom



Lord King, British Airways chairman (foreground), and Sir Colin Marshall, the chief executive, aboard a long-haul BA flight

Marshall 'might quit' if curbed

By Norma Cohen, Investments Correspondent

SIR Colin Marshall, chief executive of British Airways and heir-apparent as chairman, is likely to resign from the company if he is not allowed to hold both posts, institutional British Airways shareholders have been told.

In recent private conversations with non-executive directors, including Sir Michael Angus, big shareholders have emphasised their long-standing unease about boards which allow a single individual to hold both posts, contrary to recommendations of the Cadbury report.

Shareholders have said that in light of the Virgin Airlines "dirty tricks" affair, that unease has increased.

"We talked to Michael Angus and he told us Colin Marshall wouldn't hang around if he couldn't be chairman as well," one shareholder said.

Shareholders said that because they had been impressed with Sir Colin's management of British Airways, they were unwilling to press for action which would result in his resignation.

"They have appointed a managing director and that is supposed to reassure us that the proper checks and balances are in place," one institutional investor noted.

Meanwhile, some shareholders said they are still not satisfied that British Airways had dealt with the matter fully. "I feel they haven't tried too hard to get to the bottom of this," said one investor. He noted that BA's solicitors had conducted a previous investigation into dirty tricks allegations a year ago and found nothing.

"What was the quantity of wrongdoing, what was the number of people involved? Was it just in the UK or was it Japan and the US as well?" a shareholder said.

Shareholders said their concern was that if BA failed to react forcefully and publicly, it could be vulnerable to adverse commercial circumstances. "If any of the competitive US airlines start saying we have anti-competitive practices, it could be trouble," said one shareholder.

However, institutions said they had no desire to see any resignations among the members of the board. Moreover, confidence has been bolstered by personal assurances from Sir Michael Angus that steps were being taken to tighten management.



BRITISH AIRWAYS has decided to "foreshorten by a few days" certain of its advertising campaigns in the UK. Gary Mead writes. Fifty poster sites in central London - priced on the open market in the region of £50,000 and booked for BA - have become

US flying public unperturbed

IF MR Richard Branson and his Virgin Atlantic airline have won a moral battle against British Airways' "dirty tricks" campaign, the US flying public and media have taken little notice, Laurie Morse in New York writes.

While the story is a drama of corporate sabotage and discovery, the US popular press has

barely noticed the tiff. US business newspapers reported Virgin's January 11 court victory straight, with no moralising, and barely noted BA's second apology this week.

Travel agents in New York said there was no sign of mass defections from BA in an exhibition of moral outrage.

"My clients all know it [the

airline industry] is cut-throat," said one Manhattan travel broker. "This doesn't surprise any of them."

Not only is it not a surprise, other travel agents added, the court battle is largely irrelevant to travellers, who care more about price and service than moral rectitude when choosing an airline.

Honesty 'not just telling truth'

This is the text of BA's code of business conduct:

THE success of British Airways is dependent on the quality of the decisions and the behaviour of individuals at all levels throughout the organisation. The code has been developed to provide guidance and assistance to both managers and staff in their dealings with all those with whom we do business, with our customers and suppliers, and with each other.

Adherence to the principles will help ensure that our reputation and success that has been built up over the years through the dedicated hard work of you and your colleagues will continue to grow.

Judgment and discretion will need to be exercised in applying the principles where, at first sight, they appear to be at variance with local custom and practice or commercial common sense.

It is not the intent of the code to anticipate and provide a framework of governing values and advice on how to proceed when making difficult decisions, namely to establish the norms of business behaviour throughout the company.

General standards:

Compliance: Comply with all the laws that regulate and apply to the company; its systems and the conduct of its business.

Fairness: Treat all groups and individuals with whom we have a business relationship in a fair, open and respectful manner.

Integrity: Show respect for the individual, treating each in a consistent way and honouring commitments made.

Openness: Share and declare information on personal and corporate conflicts of interest (political, financial, relationship) including the offer or acceptance of gifts or hospitality of significant value. Seek guidance and where appropriate confirmation from a higher authority before acting.

Honesty: This goes beyond simply telling the truth to ensuring that any misrepresentation is quickly corrected. Do not allow people to be misled. Where there are valid reasons for withholding information, be clear about the motives and if possible explain why are doing so.

Fair competition: Ensure comparisons drawn with competitors and working partners are

based on fact and avoid innuendo. Competition should be based on the quality value and integrity of British Airways' service and products.

Determination: Demonstrate a sense of purpose and commitment to achieving the optimum outcome even in adversity.

Responsiveness: Recognise changes in the business environment and use a creative flexible style to respond to them.

Enablement: Provide sufficient guidance to enable individuals to act upon their own initiative to solve problems and grow in their role.

Conformity: Promote corporate values and competitive edge through the established performance systems of performance and appraisal.

Through employing these practices and behaviours, staff should:

● Use British Airways' stated goals and objectives as guidance, using your values and judgment to interpret against the principles of this code.

● Treat others as you would like to be treated.

● Be prepared to solicit views as to whether something would be appropriate before

action, rather than after.

● Discuss difficult decisions with those whose values and judgment you respect. Use company process to earn respect.

● Ask whether you would feel comfortable explaining your decision or behaviour to your boss, your family or the media.

● Be prepared to challenge if you believe others are acting in an unethical way. Create the climate and opportunities for people to voice genuinely held concerns about behaviour or decisions that they perceive to be unprofessional or inappropriate.

● Do not tolerate any form of retribution against those who do speak up. Protect individuals' careers and anonymity if necessary. Encourage an environment of learning from mistakes and mutual trust in each others' motives and judgments.

● Treat the assets and property of British Airways and its customers and its suppliers with the same respect as you would your own. Apart from tangible assets this would include company information as well as the name, image and reputation of British Airways.

Transport officials defend BR sell-off plan

By Richard Tomkins, Transport Correspondent

"A BUREAUCRATIC nightmare" is how Mr Brian Wilson, a Labour transport spokesman, described the bill for the privatisation of British Rail, published yesterday.

Department of Transport officials rejected the accusation, pointing out that the bill's 188 pages left it looking relatively slim next to the 319-page tome that paved the way for the privatisation of the water industry in 1989.

Even so, there is little doubting the complexity of the government's proposals.

The chosen method of privatisation introduces three new quangos - Railtrack, which will own the tracks; a Rail Regulator to act as a watchdog; and a Franchise Director to

franchise out the passenger services - and provides for a network of relationships between these and the private-sector train operators entering the rail market.

As envisaged in the white paper published last July, the effect of the railways bill will be to split British Rail into two.

Railtrack will own the tracks, and the other part will run the trains. The freight operations will be sold and, passenger services will be franchised.

In addition, the railway tracks will in principle be open to any private-sector operators wanting to run new freight or passenger train services in competition with existing ones. However, the government has shown signs of retreating from this commitment in the face of

hostility from would-be franchisees.

Some idea of the government's motivation for privatising the railways can be gleaned from the preamble to the bill. It says subsidies will go on being paid to support loss-making train services even after privatisation, so there will be no significant cuts in public spending in the short term.

But it goes on to say: "It is, however, anticipated that private-sector operation should, over time, allow railway services to be provided at lower cost to the Exchequer than would otherwise be the case". The implication is that the private sector will be rather more efficient at operating trains than British Rail.

The preamble also reveals that the rail regulator's office

will employ up to 100 staff and cost up to £5m a year to run, while the franchising director's office will employ up to 175 staff and cost up to £10m a year to run.

The bill itself provides for the setting-up of the rail regulator, the franchising director and the rail users' consultative committees - the new rail passengers' watchdogs - before going into the detail of how rail operators will be regulated. Companies wanting to run a train, station or maintenance depot will have to apply for a licence, it says, and anyone wanting to object to the application will have the right to do so.

There are also tough rules to make sure that would-be train operators get access to all the tracks, stations and depots they need to operate a service.

Every agreement between train operators and facility owners will have to be notified to the regulator for approval, together with any subsequent changes.

The regulator will be able to force companies to open their facilities to other train operators if they do not do so willingly.

Much of the rest of the bill is concerned with the technicalities of translating the ideas contained in last year's white paper into law, but some new information emerges. For example:

● One clause provides for franchisees to take control of the tracks in the franchise area as well as the trains if the franchising authority thinks it appropriate.

● The rail regulator and the franchising director will have

the power to fine operators who breach the conditions of their licences or of their franchises.

● All UK public-sector bodies - including British Rail, London Underground or local authorities - will be excluded from becoming franchisees, but there is no mention in the bill of public-sector bodies from other countries.

● Consumer protection will be given added force by extending the Fair Trading Act to the railways.

● In times of national emergency the secretary of state will be able to re-assume control of the railways, directing the use of railway facilities as he or she wishes.

The bill is expected to get its second reading early next month and to win Royal assent in October.

Anglo-Irish talks resume next month

By Tim Coone

THE DATE of the next Anglo-Irish conference meeting has been fixed for early next month, following "informal talks" in Dublin yesterday between Sir Patrick Mayhew, the Northern Ireland secretary, and Mr Dick Spring, Ireland's new foreign minister.

Yesterday's meeting was the first between the two governments since November, when it was agreed to suspend further efforts to renew the political talks process in Northern Ireland until after the general elections in the Republic.

Mr Spring and Sir Patrick said their first meeting had been "very worthwhile and satisfactory" and that they had

covered all the main areas necessary "to get the talks process working well and to bring it to a successful conclusion". It is expected that at least two Anglo-Irish conference meetings will be necessary to prepare the way for a renewed series of talks involving the Northern Ireland political parties.

The previous "three-strand" talks ended inconclusively last year, with the two Unionist parties accusing Dublin of having been too inflexible over the Republic's territorial claim to the province.

Sir Patrick said yesterday: "Informal consultations should be the first stage and then we'll see where that takes us."

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Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

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Europe's hairshirt

ON THURSDAY this week, Mr Theo Waigel, finance minister of Europe's most powerful country, went as a supplicant to Frankfurt. His purpose was to plead with the high priests of monetary stability in their temple. There, he offered his "solidarity pact" and begged in return for lower interest rates. But the priests of monetary stability respond to such questions as cryptically as those who once served at Delphi. The millions who also want what Mr Waigel sought can only wait and pray.

Mr Hans Tietmeyer, the Bundesbank's vice-president, has insisted that the Bundesbank will cut interest rates to the extent it thinks this justifiable. Who can doubt him? The Bundesbank is powerful, but it is not arbitrary. The question is when it will believe further interest rate cuts are justified. Will this be as soon as the German government hopes, not to mention the French, the Irish, the Danish and all the rest?

The questions are urgent, notwithstanding the insistence of European finance ministers at their meeting this week that the crisis in the ERM is past. Immediate pressure for realignment of the currencies that have been most under pressure - the Irish punt, the Danish krone and the French franc - did dwindle, as the D-Mark weakened against the dollar. But ministers are declaring the battle over too soon.

They are over-optimistic because they forget the ever gloomier prospects for EC economic growth. Only this week the European Commission cut its forecast for EC economic growth from 1992 to 1993 to 0.8 per cent. Notwithstanding this reduction in the forecast, which is not likely to be the last, Mr Henning Christopherson, the commissioner in charge of economics, insisted that recent speculation against the ERM had been unwarranted. He was wrong. It is the EC's poor growth prospects which makes the speculation not merely warranted, but inevitable.

Inevitable

The UK has been expected to be among the better performing EC economies this year. So indeed it should be. But none of the news released this week shows it will be. Seasonally adjusted unemployment was up 61,000 in the month to December 1992; manufacturing output was down 1/4 per cent in the three months to November as against the previous three months; and seasonally adjusted retail sales fell in December. Fortunately, since what is now known as White Wednesday, the government is no longer nailed to the Bundesbank's cross. Lower interest rates are inevitable. The

government should bow to that reality sooner rather than later. Meanwhile, the EC's so-called fast lane countries are going into reverse. Even the French economy, the most virtuous of all, is widely forecast to achieve little growth this year. Unless the Bundesbank lowers interest rates not only soon, which seems possible, but by at least 2 percentage points, which seems much less likely, France may experience a fifth successive year of sub-optimal economic growth in 1994.

Uncomfortable

French inflation is down to a 36-year annual low of 2 per cent. If policy persists, it could fall below zero, but unemployment would also continue to rise. Fortunately for the French government, both the actual one and the one likely to be in office after the general election, 72 per cent of the French people appears to favour the *franc fort* policy. That would seem to make continued wearing of the monetary hair shirt conceivable, however uncomfortable.

It is Germany, battling with the aftermath of unification, that is the source of Europe's problems. The German economic ministry now forecasts that the west German economy will shrink 1 per cent this year. It is almost certainly too optimistic, largely because Bundesbank economists do not share the government's concerns.

The answer to all the government's problems is supposed to be the solidarity pact, whose fiscal component has been offered by Mr Waigel on the Bundesbank's altar. Yet economists at the DIW in Berlin argued only this week that the pact would fail to pull the east German economy out of recession. They must be right, when engineering workers are expecting, like lemmings, to rush over the cliff of a 25 per cent wage increase this March.

That Germany is so far failing to cope with the huge challenge of unification is obvious. What is not so obvious is why most of the rest of the EC thinks it wise to be overwhelmed too. Unification is, it turns out, precisely the kind of real economic shock that requires substantial changes in real exchange rates. Since the EC refused - and, for the most part, continues to refuse - to make those changes through the nominal exchange rate, it has had to accept inflation in Germany and deflation everywhere else instead.

Germany may yet make a big success of unification. Most of the EC may yet move smoothly to economic and monetary union. Neither now looks very likely. The EC is paying a high price for its attachment to exchange rate rigidity.

It has been a long time coming. For years, on and off, successive Conservative governments have been talking about the possibility of privatising British Rail. Yesterday, at last, the bill that will make this possible appeared. But just what does railway privatisation mean?

The passenger could be forgiven for being confused. The government white paper, *New Opportunities for the Railways*, that came out last July was subtitled *The Privatisation of British Rail*. But as we entered the new year, the prime minister described the process as "semi-privatisation" and Mr John MacGregor, the transport secretary, followed up by developing a predilection for the word "commercialisation". Ministers denied gleeful Labour accusations of a U-turn: but amid the complexity of the government's proposals, it is not surprising that the public's understanding of what is really going to happen to its railways is at a low ebb.

One thing that is plain about the privatisation of BR is that it will be like no other Britain has yet seen. Previous privatisations have typically involved the disposal of industries and utilities to the private sector through trade sales or stock market flotations. But this never looked feasible with BR. Loss-making on a big scale - last year it lost nearly £1bn - it would have been impossible to value, still less to sell. Who would have wanted to buy it?

Having wrestled with a number of options for breaking up BR into smaller units, the government still kept coming up against the same problem. Whichever way you split the railway, there was no getting rid of the losses - not, at least, without big cuts in services, large fare rises, or both. So, instead, it switched tack and looked at ways of involving the private sector through the contracting out of train operations, just as if they were hospital cleaning or rubbish collection services.

And that, in essence, is what this privatisation amounts to. True, BR's freight operations are to be sold off - the government sees no reason to protect loss-making freight, and the profit-making operations can fend for themselves. But that is all that is going to be sold.

So far as the rest of British Rail is concerned, it is to be split into two. One part, to be named Railtrack, will retain the tracks and infrastructure, and start charging for their use. The other will continue to operate the passenger trains, but these services will gradually be contracted out to the private sector on the basis of which company is prepared to pay the highest price for the franchise - or rather, since the majority of services are unprofitable, on the basis of which company requires the smallest subsidy.

There is just one more wrinkle. Obsessed with the idea of maximising competition, and embittered by the experience of privatisations such as British Gas, where competition has been slow to emerge, the government is also requiring open access to the tracks. In other words, any company wanting to introduce a new freight or passenger service will theoretically be able to do so - though this is unlikely to take place on any widespread scale, given the shortage of vacant slots on BR's busiest routes.

Put in these terms, privatisation may not sound such a troubling prospect. And yet the government's plans have been attacked from almost every quarter - by politi-

The privatisation of British Rail poses unique problems and is fraught with difficulty, writes Richard Tomkins

We're in for a bumpy ride



clians, consumer groups, trade unions, professional institutions, the public transport lobby and the very companies the government is hoping will participate.

Roughly speaking, the criticisms fall into two main categories. Those in the first category say that the government's plans just will not work. So do those in the second category; but they go on to suggest that, even if the plans do work, the result will be to passengers' disadvantage.

The criticisms in the first category have been better rehearsed than those in the second. To take a few examples:

- The government's insistence on open access will kill off private-sector interest in franchising because franchisees' most profitable services will be vulnerable to attack by cherry-picking marauders.
- Dividing the responsibility for track and trains makes no sense because it will leave too high a proportion of the train operator's costs under the control of state-owned Railtrack, which will have no incentive to act efficiently.
- The government's insistence that Railtrack must make a positive return on its assets will result in its imposing track charges so high as to price traffic off the railways and on to the roads.
- The complex bureaucracy involved in the relationship between the government, the rail

regulator, the franchising authority, Railtrack, the BR residuary body, the Health and Safety Commission and the private-sector train operators will prove impossibly unwieldy.

The first two of these have already been answered, at least in part. Earlier this week the government made a significant concession by acknowledging that it would have to deny open access in some franchise areas to persuade the private sector to get involved. It also

Passengers appear to have genuine grounds for concern about the government's plans, which may result in fare increases

said it was prepared to franchise the tracks as well as the trains on some routes.

Criticism of the track-charging regime are more difficult to answer because the government has yet to publish its proposals for track charges. As for the bureaucracy, well, that is just one of the unfortunate side-effects of trying to combine a competitive railway with a safe and reliable one, and it remains to be seen how offputting it proves in practice.

But never mind the danger that

privatisation will never happen, BR's passengers could say: the worst that can happen is that BR will simply go on running the trains. What we want to know is what will happen if privatisation does happen. How will we be affected? Will our trains still run? Will fares soar?

Passengers appear to have genuine grounds for concern about the government's plans - many of them centring on the possible consequences of the fragmentation of the national passenger railway into a patchwork of independently operated franchises.

A simple example is the national railway timetable. Admittedly, this is not one of Britain's best-selling publications: most railway passengers travel to and fro on a single route and have no need to know what other services BR offers. Nevertheless, it is useful for the minority of passengers who travel more widely, and looks a probable casualty of the government's privatisation plans.

As for railway services, most should be safe from closure. Franchisees will still be receiving subsidies to operate loss-making services, so companies will not be able to drop them willy-nilly. When awarding franchises, the franchising authority will specify minimum levels and standards of services, and these seem likely to be no worse than those already being operated

by BR, at least initially. Even so, some rural services could come under scrutiny. Take, for example, the line from Inverness to Wick in the far north of Scotland - a 161-mile railway carrying only three trains daily each way. With Railtrack charging the whole of the costs of operating the line to such a small amount of traffic, the subsidies required by the franchisee to run the service would be enormous. That would call into question the case for keeping the service going.

But perhaps the biggest potential hazard from the passenger's point of view is the threat of fare increases. Superficially, this should not be an issue: the government has said that, on subsidised services (the large majority), maximum fare levels will be pegged by the franchising authority when awarding the franchises, and on the few profit-making services - mainly InterCity - tough competition from cars, coaches and aircraft should keep fares down. But again, it is the loss of the so-called network benefits that poses the greatest threat.

By way of illustration, imagine a return trip from Southend-on-Sea in Essex to Glasgow. At present, the traveller can go to Southend station and book a discounted "saver" return ticket for the complete journey for £76. But after privatisation, when the London Tilbury & Southend line and the London-Glasgow line are operated by different franchisees, the traveller's cheapest option is likely to be the purchase of two separate tickets: a discounted return from Southend to London and a discounted return from London to Glasgow. At today's fare levels, that would cost £14.80 for the Southend-London leg, and £69 for the London-Glasgow leg, totalling £83.80 - about 10 per cent more than the price of a through ticket.

The government's response to this sort of criticism is that it has guaranteed the preservation of through ticketing. And so it has: but it has not guaranteed the preservation of discounted through ticketing, nor has it guaranteed the validity between franchisees of other discount schemes such as the senior citizen's railcard. Since 80 per cent of all tickets sold on BR are discounted in one way or another, the possible consequences for average fare levels could be far-reaching.

Given the scale of the potential pitfalls, it is tempting to ask why the government should bother to take on a privatisation as troublesome as that of British Rail. After all, it can't be for the money: the proceeds will be next to nothing. And it will do nothing to advance the cause of popular capitalism, since no shares are being sold.

Then again, consider the alternative: doing nothing. It is highly unlikely that the government will ever have enough money to provide railway passengers with the investment levels they would like. And even if it could, the railway would continue to be run by a management which seems incapable of delivering a standard of service that the public finds acceptable.

At the end of the day, it all comes down to the government's claim that every privatisation so far has brought substantial benefits to the consumer. To an extent, one would have to acknowledge that to be true. But then again, the privatisation of BR is not like any other. It may yet prove an uncomfortable ride for the government and passengers alike.

MAN IN THE NEWS: Thomas 'Mack' McLarty

Ultimate old school chum

There are not many people who can say of their president of the United States, as Mack McLarty did on Thursday morning: "In many ways, Bill Clinton is the same person he was in kindergarten." Nor be quick enough to realise that he should not give the impression that the Oval Office is now inhabited by a five-year-old. "That's not to suggest he hasn't matured and grown wiser," was his next sentence.

Washington this week was filled to the rafters with FOEs (friends of Bill), all members of the extraordinary number of overlapping networks the Clintons have maintained over the years. But Thomas F McLarty, known as Mack, is the only BOF (Bill's oldest friend). Both 46, they go all the way back to Miss Mary's kindergarten in Hope, Arkansas. Now William J Clinton, still called Bill, has turned to Mack to help him in Washington as the White House chief of staff.

There is, potentially, no more sensitive job in the capital. Exactly how it is performed depends on the wishes and needs of the president, and each has had his different requirements. But even a breezy look at recent history shows how much the chief of staff can make or break a president.

Probably the most successful in the past 20 years was James Baker in Ronald Reagan's first term who ran a tight but not leak-proof ship. Above all, he protected his president from situations in which he might be caught off-guard.

Another Baker, Howard, the former senator from Tennessee, also did well as a damage control operator when Mr Reagan's final years turned sour. Dick Cheney, later a congressman from Wyoming and the just-departed defence secretary,

was a great help to President Gerald Ford in a difficult period.

Better remembered are the failures: H R Haldeman, who pandered to all Richard Nixon's darker instincts and paid for it with a prison term; Hamilton Jordan, whose contempt for the Washington establishment did no favours to an outsider president, Jimmy Carter; and two of President Bush's chiefs of staff, John Sununu, fiercely ideological and personally abrasive, and Sam Skinner, who never realised until too late that his boss was in deep political doo-doo.

His friendship with his president apart, McLarty comes to Washington probably the least known of the new Clinton team. The son of a successful car dealer and University of Arkansas graduate, he embarked on a political career early and, at 23, became the youngest ever state assemblyman. But his father's failing health brought him to the family firm, where he did well enough developing its leasing business that, still only 30, he was elected to the board of Arkla, the natural gas utility. Seven years later he was its president, replacing Sheffield Nelson, who was to become Mr Clinton's arch political rival, and two years on his chairman and CEO.

He inherited a company in crisis, afflicted by declining oil prices, mild winters, and expensive long-term pipeline contracts. By the mid-80s Arkla's debt far exceeded its net worth. By 1989, its stock price had dropped 70 per cent and its credit rating was dubious. It is still not out of the woods even after an extensive disposal of assets, and McLarty's chairmanship is not without its critics.

One acquisition, of a Houston natural gas company which may still be liable for the debts of a local



savings and loan it owned before being taken over, leaves Arkla with a potentially high and still disputed charge. But McLarty gets general credit in the industry for keeping it afloat, and it was still in the charts as the 47th-largest utility in the most recent 1991 rankings of service companies by the Fortune 500.

But his record as a businessman is not why he was the first person named by Mr Clinton to a Washington job. The explanation lies in Arkansas, which, to repeat the ultimate cliché, really is a small state where everybody who is anybody knows everybody else. Though out of elective state politics for more than 20 years, the chairman of one of its biggest companies is a de facto intimate of every politician, not least its governor. Sometimes this has presented problems for McLarty, as in 1990 when he remained conspicuously neutral in the governor's race between Clinton and Sheffield Nelson. But this never harmed his rela-

tionship with the Clintons. He was a discreet intimate throughout last year's campaign and a big fundraiser.

All the Arkansas references are glowing, from friend and foe alike, though he seems to have few enemies. He is universally described as methodical, intelligent and, above all, gracious. His television performances in the new limelight this week certainly showed his quiet charm. They also disclosed a canny skill at saying nothing in the most possible manner.

He has talked a little, however, about his role as chief of staff. He does not see himself as a gatekeeper or high profile operator, which means he may have been seen more on TV in the first two days of this administration than in the next two years.

The key, as he told the Washington Post recently, is: "I really believe that Bill and I are not going to have any trouble talking straight to each other. We've done that for years and it flows very smoothly. He wants it. That was one of the real elements he felt was needed."

Mrs Clinton is getting an office in the political west wing of the White House rather than the social east wing, and will be a power in developing healthcare policy. McLarty's view is: "Hillary's a good friend, too, someone I really greatly admire." He even discreetly allowed that there were some differences between the approaches of the president and his influential wife. "The linear style of thinking [reaching a decision and pushing ahead with the next item on the agenda] might be more Hillary's style and my style."

So Mack McLarty begins his capital odyssey with a clean sheet and the complete trust of the man who is president, but as a relative innocent in a city with many more snakes than ladders - one of which Zoe Baird failed to climb this week. He also has a fear of flying, but, there is much to do without leaving the ground in Washington.

Jurek Martin

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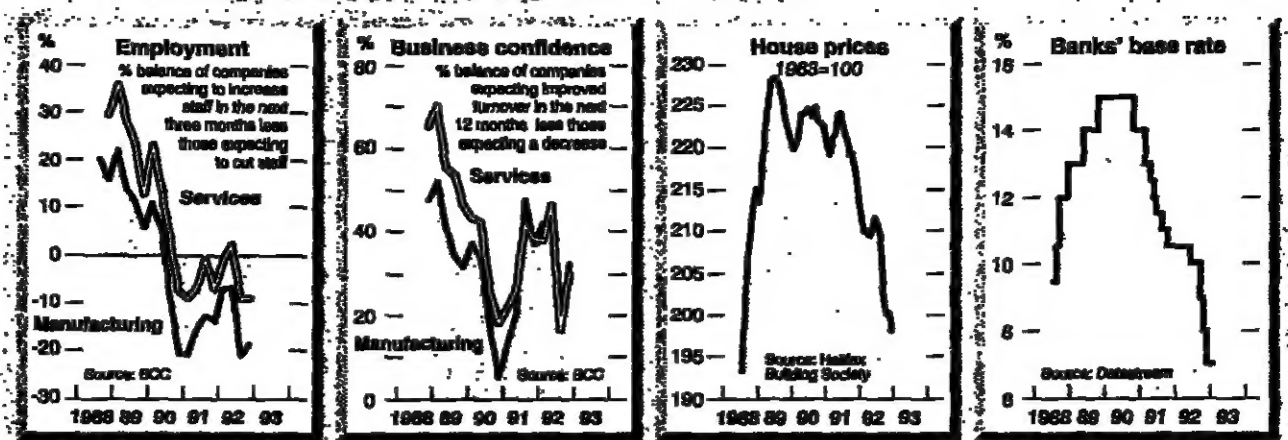
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The good, the bad, the uncertain

Hopes of recovery in the UK economy have given way to a familiar picture of mixed economic indicators, says Peter Norman

UK economy: conflicting signals



Britain's chancellor of the exchequer has a way with words. Last Sunday, Mr Norman Lamont popped up on television to announce that there were "many encouraging signs" of improvement in the UK economy.

By yesterday - after news of falling retail sales in December, declining industrial output in November and the sharp jump in unemployment to just under 3m - it was beginning to look as if accident-prone Mr Lamont had fallen back into the trap of seeing green shoots of recovery where none exists.

The truth is, as ever, more complicated. To set against this week's gloomy data, the Treasury could point to strong car sales in December, robust growth in recent months of cash and bank notes in circulation, and a rebound in business confidence since sterling's departure from the European exchange rate mechanism on Black Wednesday.

Whitehall also took comfort from reports of increased house sales in December, although house prices as measured by the Halifax and Nationwide building societies continued to fall last month. Not all mortgage lenders have yet benefited from the sharp 3 percentage point fall in base rates to 7 per cent since September because some building societies, which adjust their mortgage rates annually, have still to respond to the cut in the cost of borrowing. This could mean that a further stimulus to demand is in the pipeline, holding out the prospect of some future growth.

But no amount of acrobatic-

ing the positive could alter the fact that the strong hopes of a turnaround - symbolised by the rush of shoppers to the sales immediately after Christmas - had given way to the familiar pattern of mixed and usually depressing signals that has characterised the UK economy for the past two years.

Economic recoveries are typically patchy. That this applies within sectors as well as across the economy was highlighted by Tuesday's distributive trades survey from the Confederation of British Industry, which found that large retailers did well in December while smaller companies employing fewer than 100 did poorly.

But Britain's recession has been as long and so severe that special factors may be making recent trends particularly difficult to interpret.

Many economists have been puzzled about the recent strength of demand for big ticket items such as cars or durable household goods at a time of depressed demand for consumer credit, generally weak consumer confidence and rising unemployment.

One explanation is that people in work have been avoiding new borrowing commitments after the trauma caused by high interest rates in the late 1980s and using their savings to buy carefully selected bargains at a discount.

But Mr Leo Doyle, UK economist at Kleinwort Benson, the City investment bank, suggests that some of the newly unem-

ployed may also be helping to support this spending. His theory is that they are using redundancy payments and running down savings with a view to obtaining means-tested benefits such as the monthly mortgage interest payments.

The Department of Social Security has rules to prevent such behaviour. But that does not mean the practice does not take place. Furthermore, some large purchases such as the replacement of a company car with a new family car would conform with DSS rules.

There are also doubts about

how much reliance to place on business confidence indicators. Over the past month, surveys from the Institute of Directors, Dun & Bradstreet and the British Chambers of Commerce have pointed to a recovery in business confidence in the final quarter of last year. Sterling's devaluation and the interest rate cuts have gone some way to offsetting the gloom felt by business during the September currency crisis.

But it is a moot point how far such increases in confidence reflect improved business conditions. Confidence

surveys ask about the future, looking ahead a quarter in the case of Dun & Bradstreet and 12 months in the case of the chambers of commerce.

According to Mr Neil Johnson, director-general of the Engineering Employers Federation, businesses may be anticipating when they respond to surveys. "People want to think the recovery is here," he says. "Many members are receptive to the idea that we may have the fundamentals in place to come out of recession. But they are not yet seeing recovery in terms of

orders or cheques in the post."

If true, such indicators are clearly a fragile base for hopes of recovery, which is one reason why December's sharply higher unemployment caused such concern.

The official government figures came immediately after the British Chambers of Commerce reported that both the manufacturing and service industries expected to continue shedding labour in the first three months of this year. According to Mr Christopher Stewart-Smith, the BCC president, the prospect of rising

unemployment constitutes a downside risk for the economy which could adversely influence sentiment more than any optimism deriving from increased exports following sterling's devaluation.

Even before Thursday, economists such as Mr Sudhir Jankar of the CBI, were warning that sentiment was in the balance and that there was no reason to expect the economy to turn up before the spring. The past week's statistics have increased fears that rising unemployment in the months ahead will chill these limited hopes and could trigger a downward spiral of falling confidence, reduced demand and still higher unemployment.

The stage has therefore been set for an intensified debate about the future direction of economic policy in the seven and a half weeks to the Budget on March 15. Already, many City economists and members of the Treasury's recently constituted panel of seven independent economists have been calling for interest rate cuts to boost growth.

One factor that could influence the debate is the obvious disenchantment of Mr John Major, the prime minister, with the ERM. With Britain set to stay outside the ERM for a year at least, some of the government's advisers in the Bank of England and the Treasury may be inclined to cast envious eyes across the Atlantic at the US experience, where sharply lower interest rates appear to

have triggered a recovery without sparking inflation.

Advocates of lower UK interest rates argue that there is little risk of activating the traditional spiral of rising costs and wages because higher unemployment is exerting downward pressure on pay. According to UBS Phillips & Drew, the City investment house, pay settlements in the UK are currently averaging 3.25 per cent.

On the other hand, the Bank will be advising the government that Britain cannot risk pushing short-term rates down to US-type levels of about 3 per cent for fear of causing a sharp fall in sterling which would boost inflation through higher imported goods' prices.

There is a growing mood in the City that 5 per cent base rates are needed to boost the economy. But any speculation about an early and substantial cut in rates would seem to be premature.

The government may want to wait for another month's economic data. The Bank of England's first quarterly assessment of UK inflationary pressures, which is due to be published next month, and the budget itself.

Before this week's bad news, Mr Lamont insisted that he had only limited room for manoeuvre if the government was to keep within its target range for underlying inflation of 1 to 4 per cent during the life of this parliament. Having made much of his dogged struggle to bring inflation down from nearly 11 per cent, it is unlikely that the week's developments will have persuaded him to change his mind.

The Central Statistical Office does not publish a National Generosity Guide. There is therefore no league table of philanthropy in which to measure this week's donation by David Sainsbury of £200m-worth of shares to the Gatsby Charitable Foundation.

Not all donations like the Sainsbury shares become public knowledge through their declaration to the Stock Exchange or publication in trust accounts. Some benefactors adhere strictly to the biblical injunction to avoid announcing their good deeds with a flourish of trumpets.

By all standards, however, the Sainsbury £200m is breathtaking for a single donation: it is at least four or five times the annual income from all sources of many large household name charities, such as the Imperial Cancer Research Fund, the Royal National Institute for the Blind and the Spastics Society.

The figure is £11.5m more than the combined expenditure on fund-raising of Britain's 400 biggest charities during 1991. It eclipses the amounts raised by the most high-profile national broadcast appeals - in 1991 the most successful, the BBC's Children in Need campaign, produced £28.5m.

It even cuts down to size the £32m given by financier George Soros in December to aid organisa-

tions in Bosnia-Herzegovina, believed to be the largest single donation by an individual to a humanitarian cause, and derived from the money he made from currency speculation.

Charitable activity by successful business figures, of course, is not new. Most Victorian industrial cities have libraries, universities, art galleries, housing or hospitals that originated from the contributions of local industrialists.

Philanthropy was closer to the ground in those days, when industrialists lived in the towns and cities they endowed and had their factories there. One of the present difficulties with efforts to generate business support for deprived urban areas is that most companies now have their head offices in London, and senior directors do not have the same strong links with provincial communities as they did a century ago.

But the spirit of philanthropic employers like Joseph Rowntree continues in charitable trusts bearing their names today, while the establishment of trusts by more recent business figures continues. Gatsby is one of several Sainsbury

family charitable trusts. It was set up by David Sainsbury in 1967 and, even before his injection of the £200m worth of shares this week, had become one of Britain's largest grant-making trusts. It supports health and social welfare projects, technical education, industrial and economic programmes, scientific research and development of the third world.

Support by British companies remains modest in relation to the charity sector's £16bn total annual income. Last year, 48 companies gave more than £1m each in cash or in kind to charity. Far more of it was in kind - staff secondments, free use of office space and equipment - than in cash, with only 22 companies making financial donations of £1m or more.

This is no indication of how much individual directors give out of their own pockets. The government's Gift Aid scheme provides tax advantages on one-off donations in excess of £400, and the average individual gift is just over £2,000.

There are, however, much bigger gifts than this awaiting collection by charities, if they know how to

solicit them. Since Oxford University launched its Campaign for Oxford to strengthen its finances in 1986, it has raised £237m of its £240m target. Although the £237m contains income from sources such as research funds, it also includes 24 donations to the campaign of more than £1m each.

The university does not simply telephone wealthy people and ask if

they can spare £1m. Researchers work carefully on the business background of potential donors and offer arrangements of mutual interest to their companies and the university - the going rate for the permanent endowment of a professorship is £17m.

As well as providing an example of carefully planned and targeted fund-raising, Oxford's campaign

also highlights the issues at the heart of an increasingly anxious debate about the proper function of charity.

Some donors were apprehensive about the campaign, because they believed it implied acceptance of the view that universities need not be adequately supported from public funds. Charity managers are even more apprehensive, as universities, trust hospitals and other public sector institutions increasingly compete with them for limited funds.

Envious outsiders say the Oxford campaign has been helped by the university's ancient, establishment image - corporate donors frequently shy away from unpopular or controversial causes.

A survey by the Charities Aid Foundation, one of the main sources of information on the voluntary sector, shows that educational charities do best from corporate donors - receiving 35 per cent of total cash donations - followed by medicine and health. Civil rights organisations do least well, coming below animal welfare to pick up only 0.08 per cent of corporate financial support - a total

of just £24,000 last year.

There are, however, some interesting attempts to redress the balance. In 1985 J Paul Getty II, the millionaire US citizen who lives in Britain, set up a trust with £20m, as one of his many charitable activities. The policy of the J Paul Getty Charitable Trust is to support unpopular causes that would otherwise have difficulty finding finance. Drug and alcohol projects, the mentally ill and handicapped, ex-offenders and AIDS victims have been among the beneficiaries.

"The trust funds so many interesting things that adjectives to describe them become a bit redundant," enthuses the Directory of Social Change, the voluntary sector specialist publisher, in its Guide to the Major Trusts, published this week.

"The new thoughts about prisons give more opportunities to encourage imaginative schemes," says the Getty trust in its annual report. "Hard-pressed estates with high unemployment and poverty can be revolutionised by dedicated people... There is also concern about the number of very young women having babies without support."

A trust such as Getty's, at a time when public-sector support for voluntary organisation working in such fields is being cut, shows that there are true contemporary successors to the Victorian philanthropists.

Alan Pike looks at the successors to the Victorian philanthropists

Charity begins in the boardroom



Sainsbury: a breathtaking single donation of £200m

TOP UK FUND-RAISING CHARITIES		
Name	Voluntary income total 1991 (£m)	
National Trust	51.0	
Comic Relief	53.5	
Royal National Lifeboat Institution	46.6	
Imperial Cancer Research Fund	44.1	
Cancer Research Campaign	40.2	
Save the Children Fund	38.7	
Salvation Army	35.2	
British Red Cross Soc	32.6	
Help the Aged	31.6	
Barnados	31.5	

Source: Charities Aid Foundation

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Welcome criticism of leases that cause pain and expense

From Mr Peter Cormack.

Sir, The Bank of England's criticism of the structure of English commercial leases is more than welcome, but indeed some decades too late ("Commercial lease provisions criticised by Bank", January 21).

Upward only rent reviews, and the legal jargon in which lengthy leases are couched, have proved to be a blank cheque for both agents and solicitors for many years past, while rents are reviewed and

argued and lease addenda are prepared, both nearly always at the expense and pain of the tenant.

Surely the time has come for England to learn very quickly from its younger overseas cousins where commercial leases consist of a four-page preprinted form (blank spaces to be filled in) written in readily understandable plain layman's English. Commercial leases can be for any agreed period but usually three years,

with renewals thereafter at agreed market rentals for whatever extension period is agreed between the landlord and tenant. UK developers, landlords, agents and solicitors have had it too good for too long milking the business community. The time is ripe for commercial property tenants to say "enough is enough".

Peter Cormack, Cleary Court, Church Street East, Woking, Surrey

Maternity leave that makes sense

From Ms Christine Gowdridge.

Sir, The National Audit Office report published this week (Errors found in sick-pay scheme, January 20) showed the problems employers are having with a complicated scheme. Almost one in three of the cases of statutory maternity pay examined was inaccurate.

Unfortunately, it is going to get more complicated. The Trade Union Reform and Employment Rights Bill introduces 14 weeks maternity leave for all women.

Add this to the existing right to return to work up to 29 weeks after childbirth, 18 weeks pay, six weeks at 90 per cent of income for women fulfilling the service requirement and 18 weeks at a flat rate for the rest, and you can begin to see how excessively complex it is likely to become.

A far better fit with existing provision would be achieved by granting all women 18, not 14, weeks leave. Before you shout "It'll cost too much", just think about it.

There would be no additional recruitment or training costs if you already have a temporary replacement. Women will be returning when they and their babies are fitter. Contractual rights would be extended for the additional four weeks, but good employers are doing this anyway.

The Maternity Alliance will be working hard as the Bill goes through parliament to convince employers and the organisations representing them that 18 weeks maternity leave makes sense for mothers, babies and employers.

Would you like to help? Christine Gowdridge, director, The Maternity Alliance, 15 Britannia Street, London WC1X 9JP

Lunch for a fiver feeds southern 'skimps'

From Mr Peter Newman.

Sir, The FT Lunch for a Fiver is a great idea.

If lunch were "only for wimps" in the 1980s - then lunch in the 1990s must be only for skimps! However, I do believe that there are deeper social implications to be drawn from the scheme than simply a creative way of filling empty covers after the Christmas "festivities".

Why are more than 90 per cent of the restaurants in the 071 and 081 telephone areas? Has the great north/south bar-

rier fallen to such an extent that we now need to subsidise our starving brothers in the south?

Or is it simply a case that restaurants in the provinces have been slow to catch on to a good idea? In which case... southern entrepreneurs are still alive and kicking!

Before angry restaurateurs write in claiming to be "on the ball", I should point out that it is usually possible to obtain a fiver in most parts of Britain, but... come on lads, free

publicity is worth something! I feel that this important social issue needs to be addressed. In the meantime, I shall sweep the crumbs off my desk, having had a working lunch costing £2.50, and get on with the business! Gordon Gecke, where are you now?

Peter Newman, managing director, Adven, Whitehall, School Lane, Hartford, Nr Northwich, Cheshire CW9 1PF

Casualties of gambling must not be ignored

From Mr Sirguy Sanger.

Sir, David Spanier, in his article "Britain joins in a game once deemed a sin" (January 9), omits the central point about expanding the availability of gambling. It is, that the more people who gamble, the more casualties occur from this activity. There is unquestioned evidence that the incidence of compulsive gambling is directly related to states and provinces where it is introduced. That a government would promote such an activ-

ity is no different from a government promoting the drinking of alcohol or the smoking of cigarettes.

Furthermore, it has also been shown that the people who wager are the ones most vulnerable - single males on the fringe of society, minorities, late adolescents and young adults. And, still further, that gambling is a form of regressive taxation on this group.

It is not responsible journalism for you to have omitted reference to the many epidemi-

ological and sociological studies found in the Journal of Gambling Behavior. It goes without saying that any government which fosters such "risky" activity without generous provision for researching the human damage and offering treatment, is not a government of the people.

Sirguy Sanger, president and chairman, National Council on Problem Gambling, 69 East 98th Street, New York, NY 10028 US

Kitchen scales tip to France

Jeremy Cooper has envisaged spending Christmas plucking turkeys in his father's butcher shop in Huddersfield, Yorkshire. Instead, he flew to Paris to represent Britain in the 26th Prix Culinaire Pierre Taittinger, one of the world's most prestigious culinary contests.

At age 24, Cooper, is chef *sous-chef* of the most exclusive, London's Inter-Continental Hotel. For four years he worked at Claridge's under executive chef, Marjan Lesnik, who won the Prix Taittinger in 1981 but was disqualified because of an unauthorised use of parsley leaves as garnish. This year he is one of the 18 international judges.

The Prix Taittinger is the culinary world's equivalent of the Techno Music Piano Competition in Moscow. Although there are similar competitions held around the world, this one attracts the most international interest, with almost 500 entrants this year from America, Germany, Spain, Italy, Belgium, Holland, Britain, Japan, Switzerland, and of course, France. It also offers a rare insight into the highly conservative world of French gastronomy.

Most of those fortunate enough to eat both in and outside France would agree that France's long-held domination of the culinary world is seriously under threat. Today, talented and inspired chefs are to be found all over the world.

French chefs, however, have dominated the competition. Indeed the Prix Taittinger has only been won twice by chefs from outside France - in 1964 by a Japanese and in 1986 by an Indonesian working at the Hilton, Amsterdam.

A strong flavour of French culinary conservatism was evident in the British semi-finals when the eight contestants had to prepare a classic 19th century dish, *quenelles* of pike with a sauce *amorce*. This dish was well known when rivers were flush with pike and lobsters for the sauce were cheap (the sauce was created in 1860); but today it rarely appears on menus. That may

have been one reason that the British favourite, Bruno Lobet, a highly innovative chef from the Inn on the Park, finished behind Jeremy Cooper.

Cooper arrived in Paris with three words - *gibier a poil* (furred game) - ringing in his ears. Two weeks earlier this, and nothing else, had been divulged as the subject of the four-hour finals.

At 7.30pm on the night before the cook-offs the 12 contestants, of whom three were French, and 15 members of the jury met for cocktails. At the party, the chairman of the judges produced four envelopes and asked Cooper, as the youngest, to pick one. To his and his competitors' consternation he chose the envelope marked "hare" (the other three were rabbit, wild boar and venison). All the chefs were concerned because hare is a particularly difficult animal to cook well even if time is unlimited. Unlike other game, hare is not hung but requires marinating to soften the flavours; the chefs had to skin the animal, too. The most anxious was Japan's Minoru Sonehara who had never seen a hare before.

Over dinner the chefs were given a list of rather prosaic ingredients: carrots, red cabbage and cauliflower - nothing as exotic as a wild mushroom or a small truffle. At 11pm it was up to bed where, with their telephones unplugged, the chefs spent the night racking their brains for inspiration and sleep.

The next morning, they took a short coach trip to the nearby Ecole Supérieure de Cuisine Française, where the cooking would take place. The chefs then drew numbers for the sequence in which they would cook and at 7.30 met their *commis* chefs, their short-term personal assistants. The *commis* were students who spoke little English, another



Game cook: Jeremy Cooper, Britain's representative

big advantage for the French competitors.

The competition began at 7.30, which seemed designed to benefit the judges rather than the chefs. To enable them to taste in sequence each chef started to cook at 15 minute intervals and the poor Dutch entrant, who drew number 12, had to sit glumly until 10.15 before he could get to his stove.

Two top professional chefs and two professors of the culinary arts supervised the cooking. In theory, they could deduct points but rather than being quick to criticise they were inclined to help and encourage.

The tasting judges each had a maximum of 50 points in two categories - presentation and taste. From 11.30, and at 15 minute intervals, they were presented with a silver tray, borne by student waiters and waitresses stood to silence, and placed in the middle of the room for the judges to appreciate its design. The tray was then passed to the foreman of the jury who cut two slices of meat per judge and placed the

two garnishes and sauce alongside. Finally, 10 minutes began to open and close.

Inside the kitchen the international character of the contest was obvious. The Spanish chef made a tortilla to enclose his garnish while the extremely calm German produced very classy potato cakes and cabbage dumplings. The Italian, despite a bandaged finger, made ravioli of hare mousse wrapped in cabbage while the Japanese opened a box of wonderful high-tech knives, suitable for sushi, and cooked with chopsticks, too. The Dutch chef made a hare sausage and enthralled the French judges with a Japanese machine for making "vegetable sagitts".

All this was in vain because of the anachronistic finale to the competition. This stipulated that the chefs' creations must be presented on a huge silver tray, an accessory no longer used in good restaurants. Today, chefs prefer to serve their dishes on a plate designed by themselves.

The winning dish certainly filled the tray. Entitled "saddle of hare foie gras" and based on a recipe that was a great favourite with Tsar Nicholas I, it resembled a chess board with pyramid tops of cabbage and "castles" made of red cabbage filled with a hare mousse. It was too pretty - food to admire, not to eat.

But it impressed the judges. And on a podium filled with some of France's top culinary luminaries (Pierre Troisgros, Emile Jung, Michel Guérod and Jacques Lamoignon) Joël Robuchon, president of the jury, announced the winner - France's Michel Izard, who recently became *chef des cuisines* at the Dodo Bouffant restaurant in Paris. His compatriot, Eric Briffard, was second, and Spain's Jose Arriero Barro, third.

The experience of being in a modest, talented young York-shireman nothing but good. Whether French gastronomy will ever benefit from such international gatherings is, however, another matter.

COMPANY NEWS: UK

GPA restructure sees debt halving in 3 years

By Robert Peston, Banking Editor

GPA's debt restructuring proposals, which were sent to its 130 banks yesterday, envisage that its \$5.5bn (£3.6bn) debt will be cut by half over the next three years.

The ambitious target is dependent on the Irish aircraft leasing company regaining access to capital markets, so that it can raise off-balance sheet finance to replace bank debt and unsecured traded debt.

It has already instructed Lehman Brothers, the US investment bank, to lead management of an issue of securitised aircraft leases, called Alps.

Mr Maurice Foley, GPA's deputy chairman, said he hoped the Alps issue would take place "well before end of the year". However, bankers believe the Alps issue will be impossible until investors are confident that GPA can overcome its financial difficulties and that will take many months.

In addition, GPA is planning to raise about \$200m of equity

through a rights issue of convertible securities. The rights document will be sent to shareholders when banks agree to the proposed debt rescheduling.

The detailed documents sent to banks yesterday, which are an inch thick in total, also said that GPA's commitments to buy aircraft from manufacturers have been reduced from \$12bn at the beginning of last year to less than \$4bn.

More importantly, the group believes that it has cut orders for airplanes in 1992 and 1993 from \$5bn to about \$2.5bn.

However, a banker stressed that the group had only reached agreement in principle with manufacturers to cancel or change the contracts. They were not legally binding.

The banker added that the group had yet to reach any sort of agreement with one manufacturer, McDonnell Douglas, though agreements have been reached with Boeing, Fokker and Airbus Industrie. Mr Foley said the failure to reach agreement with McDonnell was not serious.

The deadline for reaching

agreement with banks has now slipped from mid-January to the end of February or early March. One banker said the restructuring process was among the most complicated in which he had ever been involved.

The banks are being asked to defer to late 1996 approximately \$1bn of debt repayments due between the end of last year and September 30.

GPA has \$3.5bn of bank debt on its balance sheet plus another \$500m off, some of it in joint ventures which have to be unscrambled.

This debt is divided into more than 20 different facilities, provided by 130 banks. A group of regional Japanese banks, which are said to be shocked by GPA's difficulties, provided a "club loan" of \$150m, all of which was due for repayment in a year.

In addition about \$2bn has been borrowed in the form of unsecured traded debt, of which \$500m is in the form of publicly traded, fully registered bonds. In the next three years \$1.25bn of this falls due for repayment.

Capital to pay £18m for Midlands

By Tim Surt

CAPITAL, Britain's largest independent radio group, yesterday announced a major expansion into regional broadcasting with a £17.7m agreed takeover of Midlands Radio.

Midlands, which operates BRMB in Birmingham and six smaller stations, said Capital had made a cash offer of 130p per share which had been accepted by shareholders holding 51.7 per cent.

As an alternative, Midlands' shareholders can take shares in the London music station on the basis of one new share for 181p cash.

The takeover will give Capital its first wholly-owned station outside London, although it already has stakes in several other radio companies.

Mr John Parkinson, who will remain Midlands' chairman and is expected to become a non-executive director of Capital, said the company would flourish as part of the new group.

Both companies have seen a sharp increase in their share price since takeover discussions began last November. Capital's interest prompted a jump of almost 15 per cent in Midlands' share price, which peaked at 119p before being suspended yesterday at 112p.

Concert party fires speculation

Andrew Taylor on possible new ownership at Watts Blake Bearne

A 280-YEAR-old Devon business, a world leader in its field, looks set to lose its independence, and there appears little that the directors or majority of shareholders will be able to do to influence the outcome or price at which it is sold.

Watts Blake Bearne has been digging ball clay out of the Bovey Basin near Newton Abbot since 1710. The heavy sticky clay, which once produced tobacco pipes, is used worldwide to manufacture ceramics such as sanitary ware, wall and floor tiles and tableware.

The ownership of the company has been thrown into question by the decision of three shareholders to sell their combined stake of 45.2 per cent.

The companies, which are acting as a concert party, say that, under takeover rules, the sale is likely to lead to an offer for the entire issued share capital of the company.

The three are Ceramics Holdings, controlled by the Lebanese Gargour family, Sibelco, a privately-owned Belgian-based producer of silica sand for the glass industry, and Quarzwerke, a private German producer of silica sand.

Mr John Pike, Watts Blake Bearne managing director, said: "The three companies are acting within their rights. They announced a concert party agreement to pursue common interests in 1991 which allows them to sell their

combined holdings in this way."

"It is tough, however, for other shareholders, many of which have said they wish to remain independent. It will be very difficult to mount a defence if, as seems likely, the sale of such a large block of shares triggers a bid at an unsatisfactory price."

The company can only hope that the minimum price, which has not been disclosed, is not met, an acceptable white knight can be found to buy the stake, or that the shareholding can be placed with a number of investors rather than sold to a single purchaser.

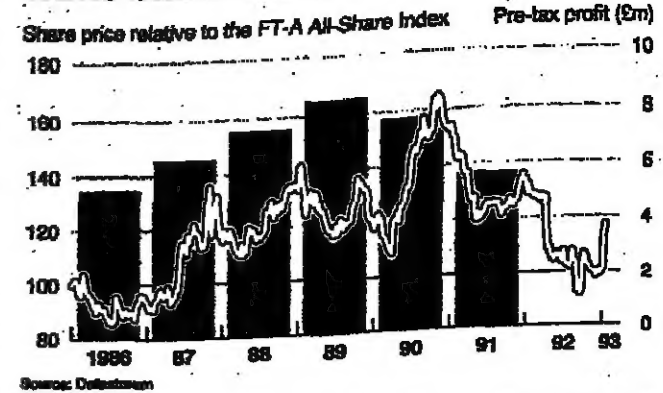
A placing, however, would be unlikely to raise as much cash as a sale to a single buyer which might be prepared to pay a premium to provide a spring-board for a takeover.

Sibelco and Quarzwerke could themselves bid for the company. They have a pre-emption right, should a recommended purchaser offer less than 433p a share, to buy Ceramics' shares at the same price.

At 433p the business would be valued at just £90m compared with shareholders funds currently of about £50m or 240p a share. Watts Blake Bearne's share price closed last night at 443p.

Mr Ian Hilliker, analyst at NatWest Securities, said a bidder could afford to pay up to 530p a share or £110m without

Watts Blake Bearne



earnings dilution based on forecast pre-tax profits of £7.2m this year.

"This is a high quality company which absolutely dominates its niche market", he said.

Watts Blake Bearne, which generates 85 per cent of its sales outside the UK, estimates that it provides clay for 40 per cent of the European sanitary ware market, a third of the US market and half of the Far East market. It also claims to supply a quarter of the European and US floor tile market.

It owns extensive clay reserves in Germany and in the US where in 1989 it bought United Clays the country's second biggest ball clay producer.

Profits, which had grown steadily since the family-owned business was floated in 1964, have faltered recently due to the recession in the construc-

tion industry. The group estimates that two-thirds of sales are triggered by new building, repair, maintenance or improvement work.

The loss of an important customer in the US (since replaced), compounded problems and pre-tax profits slipped to £5.67m in 1991 compared with a peak of £8.47m in 1989.

NatWest expects profits to have bounced back to £6.8m last year helped by recent acquisitions and a recovery in the US business.

The company should benefit from a recovery in the US and UK construction industries, particularly housebuilding, although the continental European ceramics market is likely to fall further. It seems probable, however, that new owners will reap the benefits from any revival.

Brent Walker chief resigns

By Maggie Urry

MR KEN SCOBIE, chief executive of Brent Walker, the heavily indebted property and leisure group, and the banks which in effect control the group, appear to have fallen out. Mr Scobie resigned yesterday and is understood to have agreed a compensation package.

Brent Walker is now expected to appoint a new chief executive to replace Mr Scobie. Sir Keith Bright has been brought in to chair the group, which last March completed a £1.6bn refinancing. Lord Kildersley, the previous chairman, left after last year's AGM and the group has been looking for a new head since.

Mr Alan Clements, a non-executive director, has also resigned from the group. He indicated last summer that he wanted to leave.

As well as their loans to Brent Walker, the banks own 54 per cent of the group's shares following the refinancing. One banker said, "the banks call all the shots".

Under the refinancing agreement, Brent Walker was to have made disposals in order to cut debt. However, there appears to have been concern among the banks at the rate of progress being made.

Brent Walker shares, which had been in the doldrums, have risen in recent days and yesterday closed up 3p at 16p.

Sir Keith, 61, is chairman of Electrocomponents. From 1982 to 1988 he was chairman and chief executive of London Transport, and before that was chief executive of Huntley and Palmer foods.

Glaxo's Zantac to go OTC in Japan

By Paul Abrahams

GLAXO, Europe's largest pharmaceuticals group, is planning to switch Zantac, its best-selling drug, from prescription to over-the-counter status in Japan, the world's second largest market after the US.

Nippon Glaxo, of which Glaxo holds 50 per cent, the balance being privately held, has signed an agreement with Sankey and Taisho Pharmaceuticals of Japan, to co-develop Zantac, the world's best-selling drug.

It is expected to file an application for over-the-counter sales at the end of 1994, about the same time as its main competitors, Yamanouchi which markets Samotidine, and SmithKline Beecham which

sells Tagamet.

Zantac generated prescription sales of about £100m in Japan during the last financial year to June, according to analysts.

The Japanese over-the-counter gastro-intestinal market is worth about ¥57bn (£300m) a year. Taisho is the market leader with Sankey third.

The Japanese welfare ministry appears increasingly keen to move drugs from prescription to over-the-counter status, in an effort to keep down state drug expenditure.

The move is part of Glaxo's general strategy of licensing out development and eventually marketing, according to Mr Nigel Barnes, pharmaceuticals analyst at Hoare Govett.

Rights and sale plan from Stakis next week

By James Buxton

STAKIS, the hotels, nursing home and casino group, is expected to announce both a rights issue and the sale of its nursing home division when it presents its results next Thursday.

The company, where Sir Lewis Robertson took over as rescue chairman in early 1991, is believed to have returned around break-even before tax in the year to September 30 1992 against a loss of £47.4m.

However, it still has about £200m of debt owed to 21 banks. A plan to sell its casino had to be abandoned when Stakis failed to achieve a suitable price.

Stakis has rationalised the management of its hotel

operations and sold peripheral leisure activities under Mr David Michels, its chief executive.

However, it still needs to reduce debt. Ashbourne Homes, its nursing home subsidiary, operates 18 nursing homes profitably, but also has 19 sites for new homes which would cost about £50m to develop.

Stakis should be able to reveal an agreement to sell Ashbourne Homes next week.

The company is also expected to announce a rights issue under which shareholders would be offered one new share for either three or four existing shares. Stakis's market capitalisation is about £105m so the rights issue could raise up to £35m.

Margins boost First Maryland

FIRST MARYLAND Bancorp, the US subsidiary of Allied Irish Bank, yesterday announced a 23 per cent rise in pre-tax profits from \$75.1m to \$92.5m (£60.8m) after a 0.8 per cent rise in fourth quarter earnings to \$24.1m (\$23.9m), writes John Gapper.

The bank said its earnings performance reflected improved net interest margins,

higher levels of non-interest income, lower provisions for possible credit losses and careful management of non-interest expenses.

The bank's return on average assets for the fourth quarter fell slightly to 1.04 per cent (1.23 per cent) and its return on average equity fell to 13.95 per cent (16.11 per cent).

Mr Brian King, FMB senior

vice president, said the low rise in fourth quarter earnings reflected the fact that the bank's loan portfolio had fallen by 8.5 per cent over the year to \$4.97bn from \$5.43bn because of sluggish demand.

Shareholders' funds rose to \$899.4m (\$806.8m). The bank's overall capital ratio is 14 per cent, with Tier 1 capital of 10 per cent.

Mr Brian King, FMB senior

Barings exits from Liffe floor trading

BARINGS, the privately-controlled UK merchant banking group yesterday pulled out of trading on the floor of the London International Financial Futures and Options Exchange (Liffe), continuing the retrenchment of its operations.

Although Barings will remain a member of Liffe,

enabling it to clear futures transactions in its own name and on behalf of its clients, it has decided to stop executing trades on the floor of the exchange in order to cut costs.

Barings has 19 traders and desk staff redundant, saying that in future it will place orders through other brokers

on the floor of the exchange. This will mean a significant cost saving for us," said a director at Barings yesterday.

In September, Barings announced the decision to shed 108 employees at its securities trading subsidiary, Barings Securities, in order to stem heavy losses.

Wescol losses increase 60% to £2.5m

By Matthew Curtin

Wescol Group, the USM-quoted structural engineer, fell deeper into the red in the year to July 31 as pre-tax losses rose 60 per cent to £2.49m (£1.55m).

Turnover dipped from £24.7m to £16.3m reflecting the difficult conditions in the construction industry and the group's closure, last May, of TMV Aluminium Systems, its curtain walling subsidiary.

Its sheeting and cladding business was closed in 1991.

Wescol made a £506,000 exceptional provision for the closure of TMV while interest charges increased from £415,000 to £476,000. Losses per share were shown as 21.6p against 11.3p, and there is no dividend.

Mr Peter Price was appointed chairman yesterday, taking over from caretaker chairman Mr Barry Anzures who replaced Mr John Hicks when he resigned last May.

Mr Price said the group had strengthened its trading base, by "refocusing operations, reducing overheads and securing fresh backing from our bankers". He explained that facilities included a new six-year £2m loan.

Park Foods reduces loss to £3.69m

By Gary Mead, Marketing Correspondent

Park Food, which sells Christmas hampers through freelance agents, has reported a lower than expected interim loss, incurring £3.69m pre-tax for the six months ended September 30 1992.

Mr Peter Johnson, the chairman, was confident, however, that full-year pre-tax profits would show a significant improvement over the £6.8m of 1991-92, after a half-time deficit of £4.89m.

Analysts are forecasting between 28m and 29m, increasing to between 29m and 31m in 1993-94.

The annual dividend cover of 2.5 times was now felt to be excessive; it would be reduced to two times and therefore, the interim dividend is doubled to 2p.

Sales for the half year of continuing businesses came to £9.1m (£8.95m), after the disposal of the drinks and frozen foods divisions which made £6.75m last time. Mr Johnson anticipated continued strong organic growth stemming from the enlarged network of agents (up by some 6 per cent) and an increased average spend by customers of about 10 per cent.

Shield back in black with £0.05m

SHIELD GROUP, estate agency and property company, has returned to profit in the six months ended September 30 1992 having wound down its property development and investment activities. Pre-tax profit came to £54,000, but this includes £45,000 of unrealised foreign currency gains. The loss for the comparative period was £1.34m.

Turnover was £948,000 (£5.81m). Losses per share came to 2.7p (17.3p). The directors said that Stickleley & Kent (Risk Management Unit) was trading profitably and it was intended to expand this activity this year.

Shield has acquired 1 per cent of the capital of National Home Loans at 1.55p per share and intends to increase its investment should further opportunities arise.

Selective Assets net assets higher

The net asset value per share of Selective Assets Trust, the Ivory & Sime international covered investment trust, stood at 155.95p at the year ended December 31 1992.

That compared with 126.2p six months earlier and with 126.49p at the end of 1991.

Total income for the year increased to £3.12m (£2.69m). Earnings per share improved to 2.54p (1.4p) and the annual

dividend is being raised from 0.825p to 1.2p.

Europe Energy turns in £145,532 deficit

Europe Energy, the USM-quoted mining company which reversed in to Moray Firth two years ago, announced a pre-tax deficit of £145,532 for the six months to end-September.

That compared with a loss of £148,494 last time and came from turnover up by £245,000 to £382,653.

The directors pointed out that because of the high overhead draft the company was now supporting, the interest charge had risen considerably, from £11,759 to £23,089.

However, they added, October and November 1992 were the first two months in which mining activities produced net profits after all financing and depletion costs.

Malvern UK net asset value rises

Malvern UK Index Trust reported net asset value of 124.33p at December 31 against 108.13p a year earlier.

Net revenue for 1992 was £1.83m, against £2.2m for the previous 15 months. Earnings per share were 3.77p (4.54p) and a final dividend of 2.07p makes 3.77p (4.54p) for the year.

Under the trust's articles it can be wound up at the annual meeting but directors will be recommending that the trust continue.

Mr David Tucker, chairman, said that on the basis of the

trust's sustained success he was confident shareholders would back the board. He added they would have another opportunity to consider winding up the trust next year.

Contra-Cyclical net asset value at 35.6p

Contra-Cyclical Investment Trust said its net asset value per share declined from 38.8p to 35.6p over the 12 months to December 31.

Per income share the figure increased from 1p to 3.7p and for the zero dividend preferred share net improved to 60.7p, against 54.4p.

Net revenue for the nine months to the end of December fell to £877,000, compared with £788,000 for the period from incorporation in February 1991 to December 31 1991.

Earnings per income share came out at 8.46p (9.85p). The third interim dividend is maintained at 2.35p.

Acquisitions boost Norbain

Norbain Electronics, USM quoted distributor of closed circuit television and access control equipment for security and surveillance, lifted pre-tax profits from £33,000 to £234,000 in the half year ended October 31 1992, aided by acquisitions.

Turnover was £7.63m (£5.75m). Earnings per share were 2.16p (0.35p).

Mr John Nicol, chairman, said that sales to Continental Europe were expanding. After the end of the period the company acquired Baxall

and Peca Electronics for £244,000 cash. Peca was subsequently sold for £49,000, the price at which it was bought.

Exmoor Dual asset value improves

Net asset value per share of 22.44p at Exmoor Dual Investment Trust at the end of the first quarter to November 30 1992, was a climb back from 6.6p at the end of last August but a long way short of 79.2p reported at the end of November 1991.

Per income share, net assets were 61.1p (62.2p) and per zero coupon preference share 168.35p (149p).

Pre-tax profit came to £220,779 (£232,372). The directors have declared an unchanged interim dividend of £16.3m (£16.4m).

The profit worked through at 23m (£1.87m), including £1.5m (£1.41m) from an associate. Earnings per share were 55p (29.4p) and the dividend is lifted 2p to 24p, with a final of 18p.

Rubicon boosted by lower interest costs

A substantial cut in interest charges enabled Rubicon Group to raise pre-tax profits by 26.5 per cent in the half year ended November 30 1992.

Turnover of the group, which makes storage and handling systems for retailers, moved up 13 per cent to £10.4m (£9.2m), but operating profit showed only a 3 per cent increase including exceptional credits of £99,000 (£77,000).

However, after interest costs of £45,000 (£262,000) the pre-tax profit came to £1.23m

(£963,000). Earnings per share were 8.2p on nearly 10m shares after reconstruction (55.4p on 1.43m shares), and there is a return to dividends with an interim of 1.5p.

61% surge from Dawson Holdings

Reorganisation of the core divisions and specialised activities at Dawson Holdings, the international journal distributor, is bringing the forecast benefits, and pre-tax profits jumped 61 per cent for the year ended September 30 1992.

Turnover rose 22 per cent to £109.8m (£89.9m). The UK accounted for £42.2m (£34.5m), and other European countries £51.3m (£39m), while the contribution from the US was static at £16.3m (£16.4m).

The profit worked through at 23m (£1.87m), including £1.5m (£1.41m) from an associate. Earnings per share were 55p (29.4p) and the dividend is lifted 2p to 24p, with a final of 18p.

Stavert Zigomala advances 64%

Stavert Zigomala, the close company which holds quoted investments and sells furniture, upholstery and carpets, lifted pre-tax profits by 64 per cent in the half year ended September 30.

On turnover ahead to £452,453 (£384,347) the pre-tax result amounted to £38,813, against £23,623. Mr Edward Cooper, chairman, said that on increased turnover the trading

company produced a much smaller loss than last time, but movement in stock remained disappointing. In addition, investment income was lower and he did not expect the shortfall to be made good by the year end.

Earnings per share amounted to 9.81p (9.78p).

Losses slightly up at Martin Shelton

Martin Shelton, the USM-quoted business calendars, diaries and gifts specialist, reported a pre-tax loss of £144,000 from turnover of £1.68m for the six months to end-September.

That compares with a deficit of £132,000 on sales of £1.63m for the comparable period and with a profit of £202,000 from turnover of £4.85m for the year to end March 1992. Losses per share came out at 1.88p (1.58p) and the interim dividend is held at 0.75p.

Mr Paul Martin, chairman, said that late ordering by customers was shifting the emphasis on sales in the latter part of the calendar year.

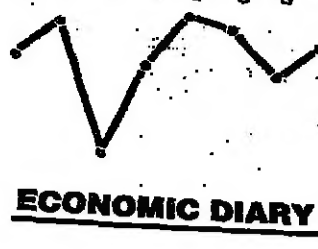
Geared Income revenue improves

Net revenue in the nine months to December 31 at Geared Income Investment Trust improved slightly from £1.3m to £1.34m. Earnings per share were 6.11p, against 5.93p and the third interim dividend is an unchanged 2p.

Net asset value over the 12 months to the end of December fell to 76.15p (68.46p).

LONDON RECENT ISSUES

Issue Price	Amount Paid	Latest Return	High		Low	Stock	Current Price	Yield	Yield Div	Times Div	Gross Div	P/E Ratio
			1993	1993								
51	F.P.	-	105	105	52	Exp. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
100	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Maritime Fund	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.	-	105	105	52	Int. & Com. PEOP Inc Int.	105	6.1	F3.38	-	4.3	-
50	F.P.											



ECONOMIC DIARY

TODAY: Mr John Major, prime minister, leaves on a visit to India (until Jan 28).
MONDAY: Industrial research and development (1991). Provisional estimates of monetary aggregates (December). Major British banking groups' monthly statement (December). CBI industrial trends survey (January). Building societies monthly figures (December). Mr Michael Heseltine, president of the Board of Trade, launches Business in Europe campaign. Mr Helmut Kohl, German Chancellor, begins two-day visit to the Netherlands.
TUESDAY: US consumer confidence index (January). US Congressional Budget Office releases its budget deficit projections for fiscal years 1993 and beyond. Slovak presidential elections. Russian parliamentary hearings provisionally set to begin on Start-2 treaty.
WEDNESDAY: New construction orders (November - provisional). Bricks and cement production and deliveries (fourth quarter). Start of two-day informal meeting of the social affairs council of the European Community in Copenhagen. Annual consultative conference of the 10-nation Southern African Development Community (SADC) in Harare (until Jan 29). Mr Boris Yeltsin, Russian president, visits India.
THURSDAY: Energy trends (November). Quarterly house purchase finance statistics (fourth quarter). Balance of payments current account and overseas trade figures (December). New vehicle registrations (December). US GDP (final-third quarter). Start of six-day World Economic Forum in Davos, Switzerland, attended by politicians and business leaders (to February 3). ECOD annual report. Mr Major visits Oman on way home from India.
FRIDAY: Engineering sales and orders at current and constant prices (November). US personal income (December); durable goods (December).

WEEK IN THE MARKETS

Price gloom greets coffee talks

NEGOTIATORS FROM coffee producing countries gathered in London for a two-week meeting beginning next Monday with their consumer counterparts were given a timely reminder over the past few days of the price of failure in their efforts to secure a price supporting international Coffee Agreement.

As New York investment funds resumed the heavy selling that had pulled prices back sharply from recent 12-month highs London robusta futures fell more than \$100 a tonne and New York arabica's by more than five cents a lb. London's March position, which three weeks ago stood at \$1,023 a tonne, touched a three-month low of \$887 a tonne yesterday before rallying to \$923 a tonne, down \$73 on the week.

Coffee traders appeared to take little notice of the producers' professions of confidence ahead of the ICA talks, in which they hope for significant progress towards the agreement of supply management measures to be included in a new pact when the present one expires at the end of September. "There is a lot of determination on our part to get this agreement at least made viable by the end of March," said Mr Marques Porto, head of the Brazilian delegation, as he outlined the biggest producer's position in informal talks with other leading producers on Thursday. "We are prepared to bridge the gap with consumers on some very key issues," said another member of the Brazilian delegation, Mr Valdemar

Carneiro Leao.

Among these issues is the consumers' call for "automaticity" - the rolling over of individual countries' export quotas (which would be subject to periodic adjustment in response to price movements) at the same level from the end of one coffee year to the beginning of the next. Brazil is now prepared to accept this system, but would want it to come into operation only at the end of the second year of a new pact, with that year's quotas being determined at the conclusion of the first year. "It is much too risky to say that the system will work perfectly from the start, which is why we want a comment at the end of the first year," Mr Porto explained.

Brazil says it is also prepared to consider consumer demands for stock verification by the ICA in exporting countries, but in return it wants consumer commitments on imports from non-member producing countries and re-exports from non-member consuming members.

The other crucial issue is "selectivity" - allowing consumers to determine the amounts allotted to different types of coffee within the overall quotas. Brazil and Colombia, the second biggest producer, are reported to have reached a common stance on this, but no details have been revealed.

Although coffee traders will clearly be watching the negotiations closely over the coming fortnight they see little prospect of them giving prices a significant boost. "It will be interesting to see if they can maintain minor progress but it won't really affect the market," one London dealer told the Reuters news agency. "Agreements take a long time to implement."

The most significant price movement at the London Metal Exchange this week was three months lead's dip to an 11-month low of £386 a tonne on

lead price as a result by 11 per cent from the 24 US cents a lb he predicted at the end of last year.

The study group painted a similarly gloomy picture of the zinc supply/demand balance. It said former eastern bloc exports had more than doubled in 1992, causing the western world surplus to rise from 85,000 to 238,000 tonnes. Mr Moore cut his forecast for this year's average zinc price by 10 per cent to \$4 cents as a result.

Aluminium prices remained weak as LME stocks continued to build up and copper was down in dollar terms, although the pound's fall meant that it showed a small sterling rise.

The strongest LME market was tin, which was pushed steadily higher by technically-inspired buying until it ran into overhead resistance on Thursday. The three months price fell back \$72.50 yesterday to \$5,992.50 a tonne, up \$87.50 on the week.

Concern about the Middle Eastern situation helped the gold price to rise early in the week, but with fears of further central bank sales continuing to weigh on market sentiment it failed to break through resistance above \$330 a troy ounce. Yesterday the price fell back 80 cents to end at \$314.00 up on the week at \$329.25 an ounce.

Platinum staged a substantial technical rally before running into profit-taking yesterday. The price was fixed in the afternoon at \$360.50 an ounce, down \$4.40 on the day but \$4.10 up on the week.

Richard Mooney

LME WAREHOUSE STOCKS
(As at Thursday's close)

Aluminium	+8,260 to 1,617,276
Copper	+3,850 to 314,580
Lead	+1,476 to 291,525
Nickel	+1,554 to 77,186
Zinc	+11,375 to 511,725
Tin	-45 to 15,575

Thursday, in spite of sterling's weakness against the US dollar. The price steadied to £388.75 at yesterday's close, but that was still \$5 down on the week. The downturn was fuelled by the publication on Thursday of a report by the International Lead and Zinc Study Group showing that exports of the metal from the former eastern bloc had nearly tripled last year from 49,000 tonnes in 1991 to 120,000 tonnes. That pushed the western world into a supply surplus of 85,000 tonnes, compared with a deficit of 6,000 tonnes in 1991.

"This news is far worse than even pessimistic observers had forecast," commented Mr Nick Moore, analyst at Ord Minnett, part of the Westpac banking group. He said he had cut his forecast of the 1993 average

LIFFE EQUITY OPTIONS

Option	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Atti Lines (P20)	250	45	81	74	1	9	22					
Atti Lines (P21)	250	45	81	74	1	9	22					
Atti Lines (P22)	250	45	81	74	1	9	22					
Atti Lines (P23)	250	45	81	74	1	9	22					
Atti Lines (P24)	250	45	81	74	1	9	22					
Atti Lines (P25)	250	45	81	74	1	9	22					
Atti Lines (P26)	250	45	81	74	1	9	22					
Atti Lines (P27)	250	45	81	74	1	9	22					
Atti Lines (P28)	250	45	81	74	1	9	22					
Atti Lines (P29)	250	45	81	74	1	9	22					
Atti Lines (P30)	250	45	81	74	1	9	22					
Atti Lines (P31)	250	45	81	74	1	9	22					
Atti Lines (P32)	250	45	81	74	1	9	22					
Atti Lines (P33)	250	45	81	74	1	9	22					
Atti Lines (P34)	250	45	81	74	1	9	22					
Atti Lines (P35)	250	45	81	74	1	9	22					
Atti Lines (P36)	250	45	81	74	1	9	22					
Atti Lines (P37)	250	45	81	74	1	9	22					
Atti Lines (P38)	250	45	81	74	1	9	22					
Atti Lines (P39)	250	45	81	74	1	9	22					
Atti Lines (P40)	250	45	81	74	1	9	22					
Atti Lines (P41)	250	45	81	74	1	9	22					
Atti Lines (P42)	250	45	81	74	1	9	22					
Atti Lines (P43)	250	45	81	74	1	9	22					
Atti Lines (P44)	250	45	81	74	1	9	22					
Atti Lines (P45)	250	45	81	74	1	9	22					
Atti Lines (P46)	250	45	81	74	1	9	22					
Atti Lines (P47)	250	45	81	74	1	9	22					
Atti Lines (P48)	250	45	81	74	1	9	22					
Atti Lines (P49)	250	45	81	74	1	9	22					
Atti Lines (P50)	250	45	81	74	1	9	22					
Atti Lines (P51)	250	45	81	74	1	9	22					
Atti Lines (P52)	250	45	81	74	1	9	22					
Atti Lines (P53)	250	45	81	74	1	9	22					
Atti Lines (P54)	250	45	81	74	1	9	22					
Atti Lines (P55)	250	45	81	74	1	9	22					
Atti Lines (P56)	250	45	81	74	1	9	22					
Atti Lines (P57)	250	45	81	74	1	9	22					
Atti Lines (P58)	250	45	81	74	1	9	22					
Atti Lines (P59)	250	45	81	74	1	9	22					
Atti Lines (P60)	250	45	81	74	1	9	22					
Atti Lines (P61)	250	45	81	74	1	9	22					
Atti Lines (P62)	250	45	81	74	1	9	22					
Atti Lines (P63)	250	45	81	74	1	9	22					
Atti Lines (P64)	250	45	81	74	1	9	22					
Atti Lines (P65)	250	45	81	74	1	9	22					
Atti Lines (P66)	250	45	81	74	1	9	22					
Atti Lines (P67)	250	45	81	74	1	9	22					
Atti Lines (P68)	250	45	81	74	1	9	22					
Atti Lines (P69)	250	45	81	74	1	9	22					
Atti Lines (P70)	250	45	81	74	1	9	22					
Atti Lines (P71)	250	45	81	74	1	9	22					
Atti Lines (P72)	250	45	81	74	1	9	22					
Atti Lines (P73)	250	45	81	74	1	9	22					
Atti Lines (P74)	250	45	81	74	1	9	22					
Atti Lines (P75)	250	45	81	74	1	9	22					
Atti Lines (P76)	250	45	81	74	1	9	22					
Atti Lines (P77)	250	45	81	74	1	9	22					
Atti Lines (P78)	250	45	81	74	1	9	22					
Atti Lines (P79)	250	45	81	74	1	9	22					
Atti Lines (P80)	250	45	81	74	1	9	22					
Atti Lines (P81)	250	45	81	74	1	9	22					
Atti Lines (P82)	250	45	81	74	1	9	22					
Atti Lines (P83)	250	45	81	74	1	9	22					
Atti Lines (P84)	250	45	81	74	1	9	22					
Atti Lines (P85)	250	45	81	74	1	9	22					
Atti Lines (P86)	250	45	81	74	1	9	22					
Atti Lines (P87)	250	45	81	74	1	9	22					
Atti Lines (P88)	250	45	81	74	1	9	22					
Atti Lines (P89)	250	45	81	74	1	9	22					
Atti Lines (P90)	250	45	81	74	1	9	22					
Atti Lines (P91)	250	45	81	74	1	9	22					
Atti Lines (P92)	250	45	81	74	1	9	22					
Atti Lines (P93)	250	45	81	74	1	9	22					
Atti Lines (P94)	250	45	81	74	1	9	22					
Atti Lines (P95)	250	45	81	74	1	9	22					
Atti Lines (P96)	250	45	81	74	1	9	22					
Atti Lines (P97)	250	45	81	74	1	9	22					
Atti Lines (P98)	250	45	81	74	1	9	22					
Atti Lines (P99)	250	45	81	74	1	9	22					
Atti Lines (P100)	250	45	81	74	1	9	22					

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES	1992/93	1991/92	1990/91	1989/90	1988/89	1987/88	1986/87	1985/86	1984/85	1983/84	1982/83	1981/82	1980/81	1979/80	1978/79	1977/78	1976/77	1975/76	1974/75	1973/74	1972/73	1971/72	1970/71	1969/70	1968/69	1967/68	1966/67	1965/66	1964/65	1963/64	1962/63	1961/62	1960/61	1959/60	1958/59	1957/58	1956/57	1955/56	1954/55	1953/54	1952/53	1951/52	1950/51	1949/50	1948/49	1947/48	1946/47	1945/46	1944/45	1943/44	1942/43	1941/42	1940/41	1939/40	1938/39	1937/38	1936/37	1935/36	1934/35	1933/34	1932/33	1931/32	1930/31	1929/30	1928/29	1927/28	1926/27	1925/26	1924/25	1923/24	1922/23	1921/22	1920/21	1919/20	1918/19	1917/18	1916/17	1915/16	1914/15	1913/14	1912/13	1911/12	1910/11	1909/10	1908/09	1907/08	1906/07	1905/06	1904/05	1903/04	1902/03	1901/02	1900/01	1899/00	1898/99	1897/98	1896/97	1895/96	1894/95	1893/94	1892/93	1891/92	1890/91	1889/90	1888/89	1887/88	1886/87	1885/86	1884/85	1883/84	1882/83	1881/82	1880/81	1879/80	1878/79	1877/78	1876/77	1875/76	1874/75	1873/74	1872/73	1871/72	1870/71	1869/70	1868/69	1867/68	1866/67	1865/66	1864/65	1863/64	1862/63	1861/62	1860/61	1859/60	1858/59	1857/58	1856/57	1855/56	1854/55	1853/54	1852/53	1851/52	1850/51	1849/50	1848/49	1847/48	1846/47	1845/46	1844/45	1843/44	1842/43	1841/42	1840/41	1839/40	1838/39	1837/38	1836/37	1835/36	1834/35	1833/34	1832/33	1831/32	1830/31	1829/30	1828/29	1827/28	1826/27	1825/26	1824/25	1823/24	1822/23	1821/22	1820/21	1819/20	1818/19	1817/18	1816/17	1815/16	1814/15	1813/14	1812/13	1811/12	1810/11	1809/10	1808/09	1807/08	1806/07	1805/06	1804/05	1803/04	1802/03	1801/02	1800/01	1799/00	1798/99	1797/98	1796/97	1795/96	1794/95	1793/94	1792/93	1791/92	1790/91	1789/90	1788/89	1787/88	1786/87	1785/86	1784/85	1783/84	1782/83	1781/82	1780/81	1779/80	1778/79	1777/78	1776/77	1775/76	1774/75	1773/74	1772/73	1771/72	1770/71	1769/70	1768/69	1767/68	1766/67	1765/66	1764/65	1763/64	1762/63	1761/62	1760/61	1759/60	1758/59	1757/58	1756/57	1755/56	1754/55	1753/54	1752/53	1751/52	1750/51	1749/50	1748/49	1747/48	1746/47	1745/46	1744/45	1743/44	1742/43	1741/42	1740/41
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INTERNATIONAL COMPANIES AND FINANCE

Texas Instruments posts gains in sales and income

By Louise Kehoe
in San Francisco

TEXAS INSTRUMENTS, the US semiconductor and electronics manufacturer, reported increased revenues and income for the fourth quarter, lifted by record semiconductor sales and orders for defence equipment to replenish systems used in Operation Desert Storm.

Revenues for the fourth quarter were \$1.99bn, compared with \$1.75bn in the same period last year. Higher revenues in semiconductors more than offset a drop in digital products resulting from the sale of TI's multi-user minicomputer systems and service operations to Hewlett-Packard.

Net income for the quarter was \$78m, or 80 cents a share, compared with a loss of \$85m or \$1.18 in the fourth quarter of 1991, after net charges of \$55m.

French issue lifts Ecu bond market

By Sara Webb

FRANCE provided an important lift for the Ecu bond market yesterday with the announcement that it plans to auction between Ecu500m and Ecu700m of a new 10-year stock on Monday.

The Ecu bond auction will mark the first substantial issue of Ecu bonds since Denmark's rejection of the Maastricht treaty on June 2, which threw the Ecu bond market into confusion and cast doubts over European economic and monetary union.

France, which has been a keen supporter of European economic and monetary union, has traditionally been one of the most significant issuers of Ecu bonds. France last issued Ecu bonds in April 1992, apart from some limited insurance intended for repo purposes.

Mr John Hall, international economist at Swiss Bank Corporation, described the decision as "very significant and very important for the Ecu bond market as it shows that issuance has come back".

He pointed out that 10-year Ecu bond yields have fallen from their peak of about 220 basis points over 10-year German government bond yields, to around 107 basis points.

Ten-year Ecu bonds yield 72 basis points more than French government bonds so it is more expensive for the French treasury to fund its borrowing requirement in Ecu than in French francs.

For the year, revenues grew about 10 per cent to \$7.44bn from \$6.78bn in 1991. Increased semiconductor revenues, across all product lines, were the largest contributor to this rise.

Net income was \$247m, or \$2.50, compared with a net loss of \$408m or \$5.40 in 1991 after net charges of \$240m. Semiconductor revenues rose 16 per cent to \$4.03bn. TI, which is one of the world's leading manufacturers of memory chips, has been moving to diversify its semiconductor operations to include more profitable products.

"The strategy to increase our mix of differentiated products gained momentum in 1992, with these products now making up more than 40 per cent of TI's semiconductor revenues," said Mr Jerry Junkins, chairman, president and chief executive.

"We believe we will generate more than half of our semiconductor revenues from this class of products well ahead of our original end-of-the-decade timetable." In the defence sector revenues were \$2bn, an increase of almost 3 per cent.

TI has been taking aggressive steps to adapt to a smaller defence market. Mr Junkins said. However, the sector grew in 1992 when the company received more than \$500m in orders for equipment to replace systems used in the Iraq war. In the company's information technology sector, software revenues grew rapidly last year.

TI said that it would increase capital expenditure to \$625m from \$420m in 1992 as it was anticipating strong growth in the world semiconductor market this year. Research and development spending would be increased.

Hafnia extends bid deadline by a week

By Richard Lapper

HAFNIA, the troubled Danish insurer, has extended by a week the deadline before which potential bidders can make offers to buy the group because of the emergence of new interest.

Credit Lyonnais, the state-owned French bank, yesterday refused to comment on speculation suggesting that it was the new party considering a bid.

Potential bidders have until January 29 to submit their bids. Hafnia said the deadline had been extended to allow interested parties more time to conduct due diligence examinations.

Several insurers have expressed interest in buying Hafnia's Danish general insurance and banking business. Skandia of Sweden, Scandinavia's biggest insurer, yesterday confirmed its interest.

Mr Johan Bergstenjarna, Skandia chief of staff, said yesterday that Skandia was one of the companies conducting due diligence at Hafnia. Two Danish companies, A.M. Brand and Codan, in which Sun Alliance of the UK has a 65 per cent stake, have expressed an interest.

Two other companies, Tryg Forsikring and Germany's Allianz, Europe's biggest insurer, have been mentioned as possible bidders, although Allianz said yesterday that it had "no comment whatsoever on such rumours".

Hafnia suspended payments

to its creditors last year, after sustaining heavy losses in its portfolio of investments. The group owns nearly 34 per cent of Baltica, a rival Danish company, and 14.8 per cent of Skandia.

Mr Steen Parsholt, Hafnia executive in charge of selling off the company's activities, told Reuters there had been greater interest in taking over the insurer.

Hafnia's UK life insurance operation, the Kendal-based Prolific, was sold last year to Scottish Provident, the mutual life insurer.

Transamerica Corporation, the large San Francisco-based insurance and financial services conglomerate and Sedgwick, the London-based insurance broker, are to pump \$12m (\$18.24m) into their jointly-owned London market insurance subsidiary, River Thames Insurance.

The cash injection, which is in proportion to the two companies' equity holdings, increases the net worth of River Thames to \$26m.

Transamerica and Sedgwick respectively own 51 per cent and 49 per cent of the group.

River Thames will adjust its strategic direction to focus more tightly on specialist and treaty reinsurance business.

Pre-tax losses at River Thames amounted to \$2.6m in 1992 and \$3.6m in 1991, with underwriting losses jumping to \$16.4m from \$10m.

Premium income increased to \$90.7m in 1992 from \$85.4m in 1991.

Corporate Japan piles up on auction block

Robert Thomson in Tokyo looks at the larger deals that have intensified M&A activity

Distress sale notices are being pasted in the front window of corporate Japan. Nippon Steel is close to acquiring a majority stake in NMB Semiconductors, a struggling electronics company, while large stakes bought in six Japanese retailers by Shuwa, a developer and speculator, are on the auction block.

These large deals follow a sudden increase in merger and acquisition activity among smaller distressed companies, most taken over in purely domestic deals arranged by their main bank. The trend offers opportunities to European and US companies, whose M&A boutiques in Japan more than doubled last year, and are on the rise.

At the same time, Japanese companies' acquisitions abroad fell 60.7 per cent by value last year, according to Daiwa Securities, and a market is emerging for the resale of foreign companies acquired during the heady days of the late 1980s.

Recof International, a Japanese M&A boutique, estimates that 70 per cent to 80 per cent of foreign M&A deals by Japanese companies were a failure.

The present patterns of M&A activity contrast strikingly with the rapid international expansion by Japanese companies during the late 1980s, when Tokyo stock prices were rising and capital raised at almost zero cost. Executives, believing that the good times would last, miscalculated badly on the long-term cost of investments both at home and abroad.

Ailing companies, hit by falling profits and higher capital costs, particularly smaller manufacturers and service

businesses, are in need of assistance. Meanwhile, Japanese banks, worried about non-performing loans, are keen to find buyers for corporate clients which appear on the verge of collapse.

"Most of the deals you will not hear about," explained Mr Yukio Rimbara, general manager of the strategic business advisory division of Dai-ichi Kangyo Bank. "We don't announce the deals, but every day, we are getting calls and transactions are rising rapidly. We have clients with financial problems, and M&A could be a solution for them."

Distressed Japanese companies tend to turn to traditional contacts before thinking of a foreign purchaser. Japanese managers are aware that staff are uneasy about a loss of job security under foreign owners, while there are fears that foreigners would face more general difficulties in adapting to the local corporate culture.

As a result, the largest increase in foreign acquisitions, so-called out-in deals, is in strategic purchases by established US and European companies. Purchasers last year included Ciba-Geigy, Atotech, and Philips, with eight of 43 deals in pharmaceuticals, seven in industrial machinery and chemicals, and six in computers, according to a survey by the corporate finance arm of KPMG Peat Marwick.

About 60 per cent of deals last year were acquisitions of distributors or joint venture partners, and Mr Thomas Lynch, a partner at Peat Marwick, said most involved companies with sales of less than ¥5bn (\$39.8m) and fewer than 100 employees. "We haven't seen any really big acquisitions yet by foreign companies in Japan, but you might see them in the future."

NMB Semiconductors could have set that precedent. Before Nippon Steel's move, reports had circulated in the Japanese electronics industry that Intel of the US would acquire the company. Intel Japan says now that it will not bid against Nippon Steel, which has apparently agreed to pay ¥30bn for 60 per cent of the chip maker.

The NMB case is a typical by-product of the hard economic times. Listed on the over-the-counter market in Tokyo, it is still a subsidiary of Minebea, the world's leading maker of miniature bearings, which entered the semiconductor market in 1984 as part of an erratic diversification programme that included a door-to-door cosmetics company and a Canadian pig farm.

Minebea reported a consolidated loss of ¥13.6bn in the year ended September and does not have the resources to keep pumping funds into NMB, which lost ¥12.4bn last year, expects a ¥4bn loss this year, and needs capital investment of about ¥100bn over the next five years to stay in the chip race.

Mr Mike Jeremy, electronics specialist at Baring Securities, said NMB was the "purest play in Japan" for a company with the funds to take advantage of its chip-making facilities. In theory, bidders could include

South Korean semiconductor makers such as Samsung, but that deal could prompt outrage in Japan, where Korean companies do not have the prestige of US manufacturers such as Intel.

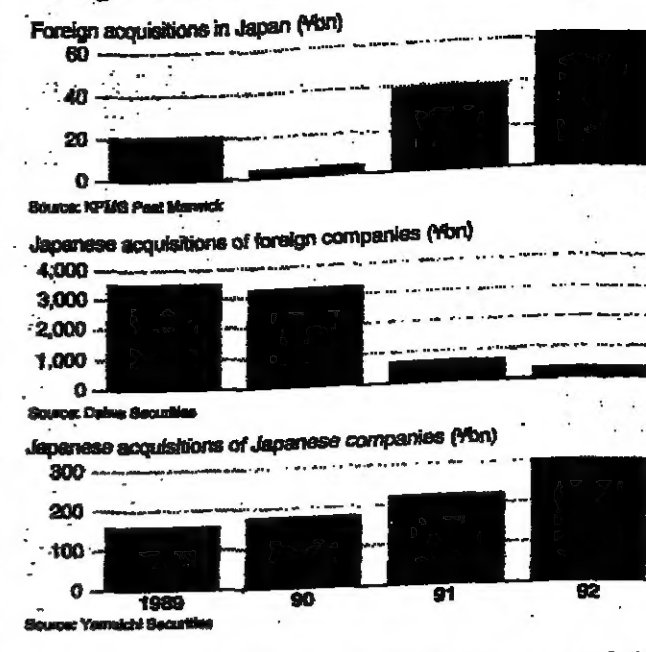
The other large acquisition move this week involved bids

for a 29 per cent stake in Isetan, the department store chain, owned by Shuwa, the troubled developer. Having bought stakes in six retail groups during the late 1980s, Shuwa is conducting a fire-sale to relieve a crippling debt burden estimated at ¥1,000bn.

"When people talked about the M&A boom in the late 1980s, this is not really what they had in mind," an official at a Japanese brokerage said. Instead of expansion abroad, the state of acquisitions on the negotiating table is an important part of the restructuring of Japanese industry.

The challenge for US or European executives wanting to take advantage of this restructuring is to find a company that fits, but not fatally

Mergers and acquisitions in Japan



wounded through speculation in stocks or property during the late 1980s. Ailing Japanese companies offered to US or European companies tend to be those turned down by their natural domestic partners, who may have scented danger.

Mr Masaharu Yonezawa, a director of Recof International, said the right opportunities are in the chemicals, pharmaceuticals, food and computer software industries, but foreign executives must be willing to make a quick decision to take advantage of the environment.

"These out-in cases normally take more than a year, but for domestic transactions three months is a normal time frame. Foreign companies have to speed up the decision process," he said.

John Fairfax raises forecast

By Kevin Brown in Sydney

JOHN FAIRFAX Holdings, the Australian newspaper group, which is 15 per cent-owned by Mr Conrad Black's Daily Telegraph group, expects pre-tax profits of A\$168m (US\$72.4m) in the year to June, compared to earlier forecasts of A\$84m.

Share option prospectuses lodged with the Australian Securities Commission, said revenue was expected to be 3 per cent lower than the earlier forecast of A\$782m because of slow economic growth.

Fairfax said the forecast improvement in profit reflected reduced costs and lower interest charges.

The Daily Telegraph, meanwhile, is seeking government approval to lift its stake in Fairfax to 25 per cent.

Southam plans links with Black

By Bernard Simon in Toronto

SOUTHAM, the Canadian newspaper group in which Mr Conrad Black's Hollinger recently became the largest shareholder, plans to forge closer links with Mr Black's other international publishing investments. The Daily Telegraph in the UK and Australia's Fairfax Holdings.

Mr William Ardell, Southam's chief executive, said yesterday that one alluring aspect of Mr Black's business strategy was that "he sees papers in a global context". No discussions have taken place on areas of co-operation between the three groups, but Mr Ardell said that he foresaw opportunities to create products, including improvements to existing papers.

Southam is expected to tap

the Telegraph's industrial relations experience in the UK to deal with long-standing labour problems at its loss-making Vancouver subsidiary which runs the city's two leading newspapers.

Such co-operation would mirror the pattern set in Mr Black's other international ventures.

The 200-plus small US newspapers owned by Hollinger relied heavily on The Daily Telegraph for coverage of the Gulf war in 1991.

The North American edition of the Jerusalem Post, which is also controlled by Mr Black, is printed by a Hollinger subsidiary in New Jersey.

Hollinger recently completed a deal to buy 22.5 per cent of Southam, which publishes 18 daily papers and has interests in business information ser-

vices and trade publications.

In an understanding partially modelled on last year's Hollinger-Telegraph agreement, Mr Black has agreed to several safeguards to prevent a creeping takeover or a proxy fight for control of Southam.

Hollinger will name three representatives to the Southam board, but a majority of board members will be independent of both Southam management and Hollinger.

The outside directors must approve any substantial transaction between the two companies.

Any deal worth more than C\$100m (US\$78.1m) or 10 per cent of Southam's market capitalisation must have the assent of holders of a majority of Southam shares, excluding Hollinger.

ENI to sell coal production unit

ENTE Nazionale Idrocarburi, the Italian state energy group, has put Agip Coal, its coal production subsidiary, up for sale. Mr Franco Bernabei, the ENI managing director, said yesterday, AP-DJ reports from Milan.

Agip Coal, with a turnover of L550bn (\$368m) in 1992, has mining operations in the US, Australia and continental Europe.

The Italian government is moving towards privatisation of ENI and has announced its intention to sell Nuovo Pignone, the mechanical engineering subsidiary.

Earlier this month, the government asked ENI to draft a proposal for a stock market listing of its Agip and Snam oil and gas subsidiaries by the end of March.

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1992/93	Low 1992/93
Gold per troy oz.	\$329.25	+1.4	\$354.85	\$358.40	\$327.35
Silver per troy oz.	\$244.55	+5.05	\$235.90	\$248.50	\$175.50
Aluminium 99.7% (cash)	\$1198.25	-18.75	\$1248.5	\$1339.0	\$1105.5
Copper Grade A (cash)	\$1451.5	+6	\$1194	\$1581.0	\$1125.0
Lead (cash)	\$277.5	-6	\$282	\$285.5	\$277.50
Nickel (cash)	\$579.5	-12.5	\$579.5	\$581.5	\$579.5
Zinc SHG (cash)	\$1057.5	-5	\$1182.5	\$1457.5	\$1019.0
Tin (cash)	\$595.5	+90	\$544.5	\$7115.0	\$5425.0
Cocoa Futures (May)	\$739	+11	\$759	\$751	\$523
Coffee Futures (Mar)	\$904	-71	\$956	\$1038	\$676
Sugar (LDP Raw)	\$213.1	+2.5	\$215.4	\$227.5	\$193
Soybean Futures (Mar)	\$1133.5	+0.3	\$1128.5	\$138.10	\$108.90
Wheat Futures (Mar)	\$137.3	-0.1	\$137.6	\$138.90	\$109.85
Cotton Outlook A Index	\$6.00	+1.45	\$5.55	\$6.90	\$2.25
Wool (84s Super)	\$390	+2	\$411	\$480	\$364
Oil (Brent Blend)	\$17.35	-0.25	\$18.125	\$21.30	\$17.00

Per tonne unless otherwise stated. Unquoted, p=penalty, c=cash, f=futures.

London Markets

SPOT MARKETS

Crude oil (per barrel FOB Med)

Crude oil (per barrel FOB Med)

Crude oil (per barrel FOB Med)

Crude oil (per barrel FOB Med)

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling under more pressure

STERLING continued to perform weakly against the D-Mark yesterday, falling as low as DM2.4370, following the release of poor economic data in the UK this week, writes James Blyth.

The pound came under strong pressure in the morning as dealers speculated on the possibility of the Bank of England cutting base rates in the wake of Thursday's very poor unemployment figure for December.

The currency recovered up to DM2.45 in the early afternoon, but later fell back to close in London at DM2.44, 14 pence down on the day. It closed more than 1½ cents higher against the dollar, at \$1.5345.

There were disturbing indications yesterday that the pound could go down to DM2.40, with many dealers seeing the next important support level.

One of the leading banking

counterparties in the London market said that it had seen almost no interest in buying the pound from UK corporates on Thursday, and that there was barely any improvement yesterday.

Mr Neil MacKinnon, chief economist at Citibank in London, is among those who believe that the mood of the market towards sterling has changed significantly.

He says that sterling could see DM2.37 within a month, but that it will rise up to the DM2.45 level afterwards. In his view, the January money supply figures, due out on February 3, will be crucial to the decision on whether to cut rates. A meeting of the "seven men" who advise the UK Treasury, on February 8th, will also be important. "They will come out in favour of a cut in base rates," he said.

However, Mr Steven Hannah, head of research at IBI International in London, said that

the money markets were now virtually discounting a full percentage point off base rates before the March budget, and that the UK authorities could ease policy without depressing the pound any further. "The only thing that might put pressure on the currency is if the rate cut comes too soon," he said.

The dollar also suffered a new bout of weakness against the D-Mark yesterday, dropping below the DM1.60 level against the D-Mark for the first time this year. It closed at DM1.59 in London, down 2½ pence on the day.

The dollar's fall came on the back of a mixed set of economic data. A strong 3.5 per cent rise in December housing starts raised hopes for good GDP growth in the fourth quarter. However, jobless claims rose 17,000 in the week to January 9, fueling concerns that employment and incomes

were growing too slowly.

C IN NEW YORK

	Jan 22	Jan 21	Previous Close
1.5000	1.5370	1.5380	1.5370
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan 22	Jan 21	Previous
8.30 am	79.8	79.8	79.8
9.00 am	79.8	79.8	79.8
9.30 am	79.8	79.8	79.8
10.00 am	79.8	79.8	79.8
10.30 am	79.8	79.8	79.8
11.00 am	79.8	79.8	79.8
11.30 am	79.8	79.8	79.8
12.00 pm	79.8	79.8	79.8
12.30 pm	79.8	79.8	79.8
1.00 pm	79.8	79.8	79.8
1.30 pm	79.8	79.8	79.8
1.50 pm	79.8	79.8	79.8
4.00 pm	79.8	79.8	79.8

Base rate refers to central bank base rate. There are not quoted by the UK, Swiss and French.

1. European Commission forecasts.

All rates are for Jan 22.

CURRENCY RATES

	Jan 22	Jan 21	Previous
US Dollar	1.5370	1.5380	1.5370
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93

Base rate refers to central bank base rate. There are not quoted by the UK, Swiss and French.

1. European Commission forecasts.

All rates are for Jan 22.

CURRENCY MOVEMENTS

	Jan 22	Jan 21	Previous
US Dollar	1.5370	1.5380	1.5370
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93

Base rate refers to central bank base rate. There are not quoted by the UK, Swiss and French.

1. European Commission forecasts.

All rates are for Jan 22.

OTHER CURRENCIES

	Jan 22	Jan 21	Previous
US Dollar	1.5370	1.5380	1.5370
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93

Base rate refers to central bank base rate. There are not quoted by the UK, Swiss and French.

1. European Commission forecasts.

All rates are for Jan 22.

FORWARD RATES AGAINST STERLING

	Jan 22	Jan 21	Previous
US Dollar	1.5370	1.5380	1.5370
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93

Base rate refers to central bank base rate. There are not quoted by the UK, Swiss and French.

1. European Commission forecasts.

All rates are for Jan 22.

MONEY MARKETS

Excitement on rates

THE BANK OF ENGLAND signalled no change in UK base rates yesterday, although some money market dealers believe there is now a good chance of policy being eased in the UK in the immediate future, writes James Blyth.

The last two days have seen a remarkable change of sentiment in the sterling cash and futures market. Last Friday market week, the feeling in the market was that a base rate cut would not come before the budget on March 16, and 3-month money closed at around 7½ per cent.

UK clearing bank base lending rate 7 per cent from November 13, 1992

Thursday's extremely poor figures for unemployment and manufacturing output have raised expectations in some quarters of an immediate rate cut. Three-month money yesterday closed at 6½ per cent, a ½ percentage point down on the week.

The March short sterling contract was yesterday trading some 35 basis points up on the week at 93.73, before falling back to close at 93.62.

At that closing level, it assumes that 3-month money in March will be at 8.38 per cent.

Yesterday's Treasury Bill tender was also seen by one dealer as a sign of how bullish

EURO CURRENCY UNIT RATES

	Jan 22	Jan 21	Previous
US Dollar	1.5370	1.5380	1.5370
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93

Base rate refers to central bank base rate. There are not quoted by the UK, Swiss and French.

1. European Commission forecasts.

All rates are for Jan 22.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

	Jan 22	Jan 21	Previous
US Dollar	1.5370	1.5380	1.5370
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93

Base rate refers to central bank base rate. There are not quoted by the UK, Swiss and French.

1. European Commission forecasts.

All rates are for Jan 22.

EURO CURRENCY INTEREST RATES

	Jan 22	Jan 21	Previous
US Dollar	1.5370	1.5380	1.5370
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93

Base rate refers to central bank base rate. There are not quoted by the UK, Swiss and French.

1. European Commission forecasts.

All rates are for Jan 22.

EXCHANGE CROSS RATES

	Jan 22	Jan 21	Previous
US Dollar	1.5370	1.5380	1.5370
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93

Base rate refers to central bank base rate. There are not quoted by the UK, Swiss and French.

1. European Commission forecasts.

All rates are for Jan 22.

FT LONDON INTERBANK FIXING

	Jan 22	Jan 21	Previous
US Dollar	1.5370	1.5380	1.5370
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93

Base rate refers to central bank base rate. There are not quoted by the UK, Swiss and French.

1. European Commission forecasts.

All rates are for Jan 22.

LONDON MONEY RATES

	Jan 22	Jan 21	Previous
US Dollar	1.5370	1.5380	1.5370
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93

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1. European Commission forecasts.

All rates are for Jan 22.

FINANCIAL FUTURES AND OPTIONS

LIFE LONG ONLY FUTURES OPTIONS

	Jan 22	Jan 21	Previous
US Dollar	1.5370	1.5380	1.5370
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93

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Base rate refers to central bank base rate. There are not quoted by the UK, Swiss and French.

1. European Commission forecasts.

All rates are for Jan 22.

MONEY MARKET FUNDS

Money Market Trust Funds

	Jan 22	Jan 21	Previous
US Dollar	1.5370	1.5380	1.5370
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93

Base rate refers to central bank base rate. There are not quoted by the UK, Swiss and French.

1. European Commission forecasts.

All rates are for Jan 22.

Money Market Bank Accounts

	Jan 22	Jan 21	Previous
US Dollar	1.5370	1.5380	1.5370
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93
1.5000	0.94	0.93	0.93

Base rate refers to central bank base rate. There

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from the Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talliesman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

* Bargains at special prices. * Bargains done the previous day.

British Funds, etc

No. of bargains included 2825

Treasury 13% 2000/01 - 130.30

Exchequer 10% 2000 - 114.44

Guaranteed Export Finance Corp PLC

11% Gtd Nov 1994 (R) - 104.47

12% Gtd Nov 1994 (R) - 104.47

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LnS 2000/01 (R) - 121.74

Asda Property Holdings PLC 10% 1998 (R)

10% 1998 (R) - 121.74

Associated British Engineering PLC 4.5%

Cum Prt E1 - 43 (18/93)

Amoco PLC 10% 1998 (R) - 121.74

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FINANCIAL TIMES EQUITY INDICES

more are rounded down. Corrected Pacing Volume for January 21: 7,100

[illegible][illegible]

London report and Intest Share Index
Tel (0203) 729031 Calls charged at 26p/min (incl. phone use) 48p of all other times

which also gave up 5 to 367p.
British Aerospace moved 5
ahead to 215p, on talk that the
long awaited Al-Yamamah 2
defence order was about to be
announced.

Regional broker Wise Spick	ENGINEERING-Aerospace	+ 8.71	Electrical	+ 0.91
placed 25 per cent of shoes sell-	FT-BE SmallCap ex Inv Ind	+ 8.06	Other Industrials	+ 0.37
ers' Stylo at around \$60. The	FT-SE SmallCap	+ 3.28	Electronics	+ 0.06
shares fell 4 to 106p.	Motors & Metal Farming	+ 4.76	Oil/Gas	0.00
	Merchant Banks	+ 2.29	Investment Trusts	+ 0.52
	Financial Group	+ 3.20	Textiles	+ 0.28
	Consumer Goods	+ 2.20	Hotels & Leisure	+ 0.31
	Food Retailing	+ 2.45	Other Groups	+ 0.95
	Business Services	+ 2.31	FT-AI All-Share	+ 1.12
	Consumer Goods	+ 2.11	FT-SE 100	+ 1.46
	Food Manufacturing	+ 2.07	Industrial Group	+ 1.45
	FT-SE Mid 250	+ 1.81	FT-SEA 350	+ 1.48
	Building Materials	+ 1.58	500 Share Index	+ 1.84
	Insurance (Compas)	+ 1.23	FT-SE 100	+ 1.46
	Insurance Brokers	+ 1.23	Contracting, Construction	+ 2.33

■ Other market statistics.
 * Page 8

Motor Vehicle	+ 1.20	Consumer Group	+ 2.60
Capital Goods	+ 1.07	Water	+ 2.71
Reckoning, Paper & Printing	+ 0.88	Groceries	+ 3.88

the most actively dealt stock option as talk of a bid circulated. It traded 9,390 contracts with the July 76 puts the busiest series.

British Airways was a poor second at 1,993 lots and TSB

BENCHMARK GOVERNMENT BONDS						
	Commo	Nov/Dec	Price	Coupons	Yield	Week ago
AUSTRALIA	10,000	10/01	77.9497	+1.011	8.78	8.94
						8.9

BELGIUM	8.750	08/02	107.5000	-0.250	7.80	7.54	7.84
CANADA *	8.900	04/02	102.6000	+1.400	8.09	8.07	7.95

DENMARK		9.000	11/00	103.5760	+0.675	8.36	8.78	9.00
FRANCE	BTAN	8.800	03/87	102.4015	+0.034	7.78	7.79	8.00
	DAT	8.800	11/00	104.6200	+0.100	7.80	7.82	8.10

GERMANY	8,000	07/02	108.7700	-0.070	7.14	7.11	7.24
ITALY	12,000	05/02	85.6000	+1.060	13.18†	13.54	13.26

[illegible]

Prices for electricity delivered for the purpose of the electricity heating and lighting participants in England and Wales Purchased from the First Group for heating on 20.12.88				
1/2 hour period ending	purchase price (pence)	pool purchase price (pence)	pool selling price (pence)	pool selling price (pence)
0700	18.29	28.11	28.11	28.11
0730	31.22	30.11	28.27	28.27
0750	31.22	28.00	28.14	28.14
0800	81.33	28.00	28.10	28.10
0830	23.54	23.87	26.95	26.95
0900	21.38	27.00	27.28	27.28
0930	20.98	27.00	26.20	26.20
0940	18.29	27.00	26.36	26.36
0950	17.84	27.00	26.27	26.27
1000	17.60	22.91	24.28	24.28
1030	17.89	17.72	17.72	17.72
1040	17.89	17.58	17.58	17.58
1050	17.69	17.58	17.58	17.58
1100	17.90	26.00	26.00	26.00
1130	17.80	26.00	26.35	26.35
1140	17.80	26.00	26.00	26.00
1150	18.29	26.00	26.00	26.00
1200	20.74	26.00	26.00	26.00
1230	21.76	19.20	19.20	19.20
1300	26.74	21.59	23.59	23.59
1330	26.74	21.59	23.58	23.58
1400	26.74	21.59	23.58	23.58
1430	26.74	21.59	23.58	23.58
1440	26.74	21.59	23.58	23.58
1450	26.74	21.59	23.58	23.58
1500	26.74	21.59	23.58	23.58
1530	26.74	21.59	23.58	23.58
1600	26.74	21.59	23.58	23.58
1630	26.74	21.59	23.58	23.58
1640	26.74	21.59	23.58	23.58
1650	26.74	21.59	23.58	23.58
1700	26.74	21.59	23.58	23.58
1730	26.74	21.59	23.58	23.58
1800	26.74	21.59	23.58	23.58
1830	26.74	21.59	23.58	23.58
1900	26.74	21.59	23.58	23.58
1930	26.74	21.59	23.58	23.58
1940	26.74	21.59	23.58	23.58
1950	26.74	21.59	23.58	23.58
2000	26.74	21.59	23.58	23.58
2030	26.74	21.59	23.58	23.58
2100	26.74	21.59	23.58	23.58
2130	26.74	21.59	23.58	23.58
2140	26.74	21.59	23.58	23.58
2150	26.74	21.59	23.58	23.58
2200	26.74	21.59	23.58	23.58
2230	26.74	21.59	23.58	23.58
2300	26.74	21.59	23.58	23.58
2330	26.74	21.59	23.58	23.58
2400	26.74	21.59	23.58	23.58
2430	26.74	21.59	23.58	23.58
2440	26.74	21.59	23.58	23.58
2450	26.74	21.59	23.58	23.58
2500	26.74	21.59	23.58	23.58
2530	26.74	21.59	23.58	23.58
2600	26.74	21.59	23.58	23.58
2630	26.74	21.59	23.58	23.58
2640	26.74	21.59	23.58	23.58
2650	26.74	21.59	23.58	23.58
2700	26.74	21.59	23.58	23.58
2730	26.74	21.59	23.58	23.58
2800	26.74	21.59	23.58	23.58
2830	26.74	21.59	23.58	23.58
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2930	26.74	21.59	23.58	23.58
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Airline heads seek rapid end to conflict prompted by 'dirty tricks' affair

BA chief and Branson to meet

By Paul Betts and Michael Cassell in London

SIR COLIN MARSHALL, British Airways' chief executive and deputy chairman, will meet Mr Richard Branson, the head of Virgin Atlantic, next week in a final attempt to end the conflict triggered by BA's 'dirty tricks' campaign.

The meeting is expected to take place as early as Monday amid growing indications that both sides are anxious to improve relations which have continued to be strained despite BA's two public apologies and a £50,000 libel settlement.

Virgin indicated last night it wanted the issue resolved by the middle of next week, although it still threatens to take further legal action against BA in the US courts. "No one wants this affair to drag on," the airline said last

night. BA is also keen to settle the damaging affair without further delay. But the airline is uncertain over Virgin's likely demands, which could prove too much for BA to swallow.

Mr Branson is expected to insist on cash compensation for lost revenue arising out of its rival's campaign as well as a legally binding agreement preventing any future abuse of Virgin's computer reservation information. Virgin also wants access to BA's maintenance facilities for its aircraft. Access was withdrawn five years ago.

Sir Colin emphasised this week that he was anxious to establish better relations with Virgin, while Mr Branson has indicated he would like to avoid taking any further legal action.

Although BA's executive management is continuing its investigation into its marketing, public

affairs and legal departments in the aftermath of the 'dirty tricks' campaign, no sackings or resignations have so far emerged. In an effort to restore staff morale and publicly demonstrate its commitment to best business practice, BA yesterday published its new code of conduct for its 50,000 employees.

"The best way to put the past behind us is to make it plain how we intend to go forward in the future," Sir Colin said in an introduction to the document.

The code sets down general standards of behaviour covering issues ranging from "fairness" and "integrity" to "honesty" and "fair competition". It urges employees: "Be prepared to challenge if you believe others are acting in an unethical way..."

However, BA's attempts to restore an air of normality remain under a cloud as institu-

tional investors continue to express concern over the company's failure to split the roles of chairman and chief executive. Despite recent events, there has so far been no change in the plan for Sir Colin to add the post of chairman to his existing responsibilities when Lord King steps aside as chairman in July.

The issue of the future shape of the company's board has not been raised in the immediate aftermath of the 'dirty tricks' revelations. Sir Colin said this week there was "ample time" for the board to consider the issue.

Some institutional shareholders yesterday claimed that Sir Michael Angus, a BA non-executive director, had told them that Sir Colin "would not hang around" if he was unable to hold both posts.

Details, Page 5

Sterling weakens on gloom over recovery

By James Blitz, Economics Staff, in London

STERLING came under renewed pressure against the D-Mark yesterday, falling another 1 1/4 pence, amid increasing gloom about the prospects for an economic recovery in the UK.

The pound fell to a low of DM2.437 in the morning, as currency dealers speculated that the government might cut base rates in the near future, following the release of poorer-than-expected economic data on Thursday.

The Bank of England left interest rates unchanged, but the pound still closed on the DM2.44, 1 1/2 pence down on the day and more than 6 pence below the level at which it closed last Friday.

Sterling firmed against a generally weak dollar, closing at \$1.5345, up more than 1 1/2 cents.

On the London stock market, hopes of an early interest rate cut had helped lift share prices to within 6 points of 2,800 on the FT-SE 100 index of leading shares. It closed at 2,781.2, up 7.9 on the day.

Sterling has on several occasions in the past three months, dropped to the levels at which it was trading yesterday, only to rally again to around DM2.5.

But there were signs yesterday that the currency was under more serious pressure.

One of the leading banks in the London foreign exchange market said it had received no requests to buy the pound from its UK corporate customers on Thursday and that there had been barely any improvement in the situation.

Mr Neil MacKinnon, an economist at Citibank in London, said Thursday's economic data, which showed a rise in seasonally adjusted unemployment by 60,800 in December to 2.97m, had significantly changed the currency market's mood towards sterling.

However, Mr Steven Hannah, head of research at IBI International in London, said the money markets were now virtually discounting a full percentage point cut in base rates before the March Budget, so that the UK authorities could ease policy without affecting the pound any further.

"The only thing that might put pressure on the currency is if the rate cut comes too soon," he said.

Editorial Comment, Page 6
Mixed signs of recovery, Page 11
Currencies, Page 17
Lex, Page 22

Clinton suffers first defeat as Baird concedes top legal job

By Jurek Martin in Washington

PRESIDENT BILL Clinton suffered his first big political defeat in the small hours of yesterday morning, his administration not yet 48 hours old, when Ms Zoe Baird withdrew her nomination as the next US attorney general.

In his letter to Ms Baird and in remarks before his first cabinet meeting later in the morning, Mr Clinton said that he was "saddened" by her withdrawal but he had not "agonised" over accepting it. He described her as "an exceptionally gifted attorney and a person of great decency and integrity".

Mr Clinton said he took "full responsibility" for the fact that the extent of the problems she might face was not appreciated. Ms Baird, 40, would have been the first woman to head the justice department.

She ran into severe criticism when it was revealed that she had employed two illegal immigrants, a Peruvian couple, for household work.

In her letter to Mr Clinton she wrote that she was "surprised at the extent of the public reaction" but concluded that the opportunity "to reinvigorate" the justice department would be lost by the



Cartoonist Garry Trudeau was among many caught on the hop by Zoe Baird's midnight withdrawal. His Doonesbury strip this week has featured Ms Baird already in office as attorney general. Mr Trudeau normally delivers his strips 10 days in advance and Ms Baird will feature again in today's cartoon. But those already delivered for use later next week, also about her, will be replaced.

continuing controversy. In hearings this week, she confessed to breaking the law, for which she had paid both back social security taxes and a civil penalty.

Mr Clinton promised to begin the search for a replacement immediately but the White House avoided a commitment to finding

another woman for the post. Ms Baird's cause was lost with escalating speed on Thursday evening. First two Republican senators came out against her, followed by half a dozen moderate Democrats even as she continued to testify before the judiciary committee well into the evening, insisting all along that she would not withdraw.

The general reaction on Capitol Hill yesterday was that in the end the president and Ms Baird had little choice but to accept defeat. Senator Patrick Leahy, the Democrat from Vermont, said he thought that if Mr Clinton had exerted maximum pressure he might have got her confirmed, but this would have set the "wrong signal" about double standards.

As Ms Baird was falling, Mrs Hillary Clinton was very much on the rise. It emerged that her office will be in the political wing of the White House, not the social east wing from which first ladies normally operate.

Officials denied she would be put in charge of health care reform, but expected her to be influential in formulating policy.

Background, Page 3
Man in the news, Page 6

EC eager to resume Gatt talks with US

By David Dodwell, World Trade Editor, in London

THE NEW US administration may be willing to match the momentum in the European Community aimed at completing the Uruguay round of talks on world trade reforms, it emerged yesterday.

Even as Mr Mickey Kantor, the new US Trade Representative, was being sworn in, plans were being made for an early resumption of US-EC talks.

Sir Leon Brittan, the European Community's Trade Commissioner, said yesterday in an interview at the Financial Times that "momentum had been jacked up". It was now at a point where "if the Clinton administration picks up the ball and runs with it" an agreement was possible before presidential power to press a Uruguay Round deal quickly through Congress expires early in March.

He said he was ready to meet Mr Kantor at a moment's notice. He claimed a deal had come tantalisingly close in Geneva last week following significant headway on proposed tariff cuts in

sensitive sectors such as textiles and electronics. They stopped short because of US pressure to rewrite other parts of the draft Uruguay round agreement. "I don't believe that substantial changes are possible without Pandora's box being opened," Sir Leon said.

"Everything depends on the attitude of the US administration," Sir Leon said. His first priority as being to impress on them "the urgency and desirability of reaching an early agreement. There is no single step which will have a more beneficial effect on the world economy than an agreement," he said.

He conceded that tangible trade gains would take time to emerge, but an important boost could come from the "announcement effect" of a breakthrough. "If there is some degree of common perception not of the deal, but of the necessity for a deal and the approach towards a deal, we can give instructions to negotiators to go back to Geneva and get on with it."

Deadlines have constantly been broken for completion of the Uruguay round talks.

Reports on pit closures

Continued from Page 1

cross-party trade and industry select committee, which meets to finalise its report on the sector early next week.

There were suggestions that Tory committee members might use the independent reports to argue for recommendations that would save too few of the 31 threatened pits to be acceptable to some Labour members. The select committee report is expected to be published on Friday.

Among the reports, Boyd suggested that six of the 31 pits whose future is undecided could operate on a profitable basis within three years. The number would rise to 13 if laws restricting changes in working practices and management were removed.

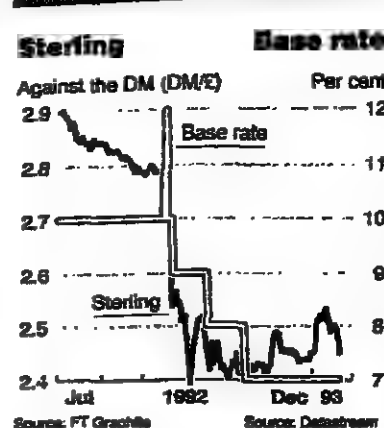
Camurus Energy said that in a free market where rival fuels were relatively cheap, British Coal's total sales, falling contractual arrangements with generators, could fall from 85m tonnes this year to 21m next.

The two other reports, by Ernst & Young and Pims, suggested ways for British Coal to make significant savings in management costs, presaging the loss of up to 3,000 senior staff jobs.

THE LEX COLUMN

By George, he's got it!

FT-SE Index: 2781.2 (+7.9)



Source: FT Graphs

Since the Bank of England is not going to be independent, it matters rather less who is going to be its governor. The choice of Mr Eddie George, announced with characteristic abruptness last night, is nonetheless perplexing. As deputy governor, Mr George has been actively involved in the bank's affairs during a period when it has been found wanting in two of its most important activities. It failed in its bank supervisory role to deal early enough with the troubles at BCCI. It was also a willing party to the UK's stubborn determination to maintain an unrealistic exchange rate within the ERM even when the damage to the economy was becoming obvious.

Mr George is an intelligent and articulate man with considerable technical central banking skills. That makes him the safe choice in a field which did not offer any candidate with overwhelming appeal. The other leading contender, Sir David Scholey of SG Warburg, might have been seen as the City's self-serving choice. In any case, he would have been unlikely to bring to the job the authority and international respect of Lord Richardson who was also previously a merchant banker.

More startling is the appointment of a journalist as deputy governor. Mr Rupert Pennant-Rea could be seen as an ideas man who will inject some vigour and originality into the policy debate. At the Economist he displayed fervent support for monetary discipline and the ERM exchange rate. But what is needed in Britain is a fresh approach to policy-making. These appointments suggest the prime minister is still hankering after old ideas. After the trauma of September 16 a more open-minded approach to policy-making was promised. That now looks as conveniently forgotten as the original exchange rate pledge.

British Rail

Anyone waiting for the cancelled 7.25 to Waterloo will agree that British Rail needs to be exposed to commercial pressure. But devising an acceptable system has proved much more difficult than in other privatisations. In part, that reflects the unprofitability of the railways - British Gas runs at a profit, British Rail does not. But there are many similarities between the two. British Gas started as a monopoly competing in a wider energy market; British Rail runs all of the railways but competes with other transport systems. Both too have a

basic infrastructure which can be divorced from services offered - gas marketing can be split from the pipes, trains can be split from track.

It may be that the poor state of British Rail's capital stock, its high fixed costs, and need for continuing public subsidy rule out selling the operation as a whole. But that solution offers some advantages. It would expose all of the railways - including the track - to direct market pressure. Other privatisations have shown that many unlikely assets are saleable if they are priced correctly. And efficiency and service improvements combined with premium prices on some routes might justify the capital investment needed. The benefits of an integrated network would be maintained, while management would be motivated to work for the change.

Ideally, internal competition within the railways would provide benefits, but that can be approached in a phased way - as it has been in the gas industry. By opting for a track authority and franchised services, the government has made rail commercialisation complex, when simpler alternatives might have solved the problem.

Sterling

Sterling's sharp fall this week is a measure of the dilemma facing the government. Without a resurgence of growth, the PSBR is likely to deteriorate further when the government is already expected to be raising £1bn a week gross during the next financial year. Since there can be no fiscal stimulus, the only lever left appears to be interest rates. Yet lower rates threaten

to weaken the pound, raising fears of a fresh inflationary push. That is hardly welcome when the underlying rate is already pushing up towards its target ceiling of 4 per cent.

Financial markets were wrong to anticipate that this week's poor economic data would prompt the government to cut rates. With unemployment growth accelerating, though, it may sooner or later have to cast its inflation worries aside. Equally important, a steeper yield curve may be needed to fund next year's PSBR. The question is how much of this has already been discounted by sterling. A market perception that the exchange rate was low enough to allow room for eventual appreciation would encourage foreigners to buy gilts. Next week's auction will provide some clue as to whether this point has been reached.

Lloyd's

A year after Mr David Rowland's task force report, the problems of the Lloyd's insurance market look as pressing as ever. Underwriting losses show every sign of matching the gloomiest predictions. That will lead to a further erosion of capital. If the losses forecast by Chatet this week prove anything like correct - and rates continue to harden - Lloyd's will be turning away profitable business before the middle of the decade unless new sources of capital are found.

The new quota-share arrangements for attracting corporate investors are already proving their worth. But it is far from clear that the modest investments made by the likes of J P Morgan this year will plug the gap. The current rate of attrition among Names demands something more. The hurdles to direct corporate membership are formidable. Assuming these can be overcome, though, Lloyd's must find a way to introduce corporate members without alienating individual Names.

Since corporate capital would be subject to limited liability, there is plenty of scope for friction. Names facing unlimited liability - even allowing for the stop-loss arrangements introduced last year - might easily feel disadvantaged. But it can hardly be in the interest of Names to participate in a market starved of capital. Any insurance market worth its salt should be able to reward varieties of capital with appropriate rates of return. If Lloyd's can learn to price its risks correctly, there should be no shortage of capital from either source.

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MARKETS

London

Shareholders suffer from dirty tricks

By Peter Martin, Financial Editor

SO FAR, it seems to be shareholders rather than airline executives who have paid the price for British Airways' shoddy behaviour towards Richard Branson's Virgin Atlantic.

On Thursday, the BA board exonerated its own members; it remains to be seen whether less senior members of the airline's staff face disciplinary action.

Shareholders' punishment has been swift. Since late December, when rumours of a settlement in the case with Virgin first began to circulate, British Airways has underperformed the FT-Actuaries All-Share Index by 13 per cent.

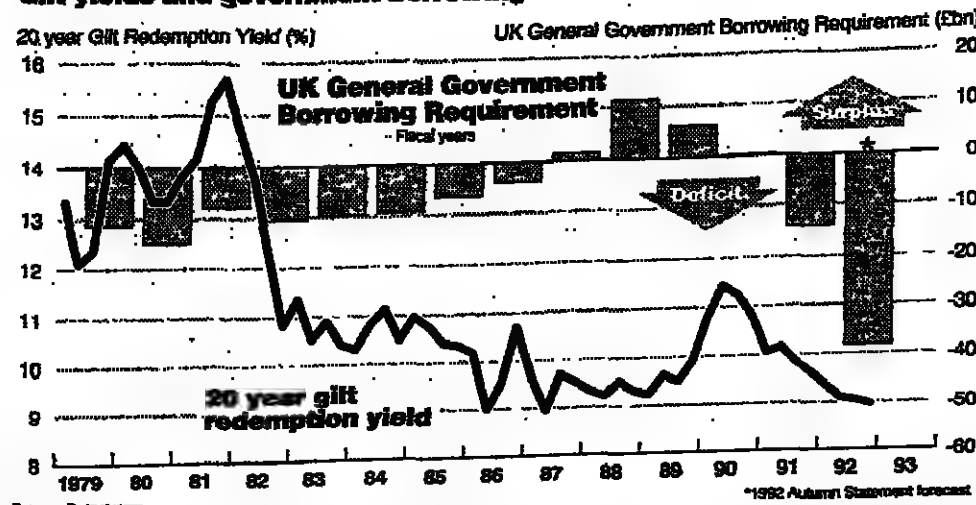
Perhaps more revealing is a comparison with three publicly traded European airlines: KLM, Swissair and Lufthansa. During 1992, British Airways outperformed all of them by more than 100 per cent; since late December, it has done worse than all of them, underperforming Swissair and Lufthansa by over 30 per cent.

Had BA shares moved in line with the rest of the UK market since late December, they would today be selling at something like 300p, compared with the closing price of 265p on Thursday, just before the board released its statement of self-exculpation. If that figure is a guide to the damage caused by the scandal, it means that shareholders, collectively, are worse off by around £300m - a figure that dwarfs the £2m or so paid to Branson in costs and settlement.

On Friday, as institutional investors digested the fact that BA did not plan to follow their advice to keep separate the roles of chairman and chief executive, the share price rose 4½p on the week, closing at 270½p.

The BA board might be forgiven for feeling that this particular piece of advice has a one-size-fits-all quality. Whenever there is a set-back at a company, regardless of its cause, institutional investors call for a separation of powers.

Gilt yields and government borrowing



This week, their advice prevailed in the case of Barclays. Andrew Buxton, who this month became chairman as well as chief executive, sent a letter to the bank's senior managers. "I have taken notice of what our shareholders think," he wrote, "and I will be taking steps to split the responsibilities." The move will happen "at a time of our choosing", thought to be later this year.

As if to reward him, Barclays shares rose 38p during the week, closing at 413p. The rise probably stems, however, from a growing belief among analysts that Barclays' dividend is safe. That view was clinched, for Terry Smith of the stockbrokers Collins Stewart, by some of the small print in Andrew Buxton's letter. This year, said the chairman, would be one for recovery rather than prosperity. "I am completely confident, however, that we

will recover well," and there would be good profits in the future. "We have a strong capital base that is amply sufficient to absorb the problems we have suffered."

Short of desperation, companies do not usually trim dividends if earnings recovery can be expected in the foreseeable future. If the Barclays board takes that approach, the word of the letter is the strong evidence yet for the view that the dividend is safe.

The letter summed up another theme of the week. "Even the most optimistic economic forecasters are now predicting only a slow and difficult climb out of the current world-wide recession," wrote Buxton. As if on cue, poor economic statistics were released.

On Wednesday, retail sales for December fell disappointingly short of expectations fuelled by all those reports of last-minute pre and post-Christmas buying. On Thursday, a fresh batch of gloomy figures appeared. Unemployment, seasonally adjusted, rose by 60,800 in the month to December, nearly twice as fast as City economists had expected. Industrial production figures for November showed a 0.5 per cent drop in manufacturing output, to a level 0.2 per cent lower than a year before.

The markets, which had already been toying with the expectation of an early cut in interest rates, took the numbers as further pressure on the government to act. The futures market's short sterling contract closed the week at a level implying base rates of 8½ per cent or less by March, down from their current 7 per cent. Sterling weakened sharply on Thursday, and closed the

week at DM 2.44, down 6½ pence from the previous Friday. Equities, which had fallen on Monday and Tuesday, recovered strongly as the market absorbed the economic statistics, and the FT-SE 100 index closed the week at 2781.2 up 16.1p.

Shorter- and medium-term gilts followed the same pattern, influenced by base-rate expectations. Long-term gilts, more influenced by Tuesday's announcement that there had been a sharp rise in public-sector borrowing in December, moved the other way, however.

The economists at Goldman Sachs, previously rather bullish on the outlook for gilts, announced themselves more pessimistic, partly as a result of a study of the way budget deficits affect bond yields.

Although it is hard to detect a strong relationship between the two in the chart above, Goldman Sachs's Jeremy Hale calculates that "a 1 per cent increase in the budget deficit as a percentage of GDP will tend to increase gilt yields by 0.33 per cent."

The Goldman economists forecast public sector borrowing to rise by just over 5 percentage points of GDP by the 1993-4 financial year. That means, they say, that after adjusting for a few offsetting factors, the equilibrium yield on 10-year gilts this year should be between 9 and 9.3 per cent, compared with just under 8½ per cent today. Using this method, they add, "the gilt market currently appears as one of the least attractive of the world's government bond markets."

A chilly welcome, you might think, for Eddie George, the new governor of the Bank of England. Sterling weakened sharply on Thursday, and closed the

Serious Money

The fundamental approach to shares

By Philip Coggan, Personal Finance Editor

THESE are difficult times for savers. Interest rates have fallen across the board, and many will be looking for an alternative to building societies.

Gilts are one option, since many issues offer a higher yield than is available from cash. However, shorter dated issues offer yields of only six to seven per cent; and many medium-dated issues are trading above par, which means that investors are locking themselves in to a capital loss.

Investors might also be cautious about buying gilts at a time when the government is being forced to issue so many of them to cover a large, and growing, budget deficit.

What about equities? Many savers will have memories of buying at the top of the market in 1987 and will be cautious about repeating the same mistake, particularly as the FT-SE 100 index reached an all-time high on January 4.

So, it is worth a look at the fundamental ratios to see what they tell us. First the good news. Although both the FT-SE and the FT-A All-Share have recently reached all-time nominal highs, they have not done so in real (adjusted for inflation) terms. On that basis, the All-Share is still below its levels in 1987 and 1989 and, indeed, those achieved in the late 1960s and early 1970s.

Secondly, the yield ratio still makes shares look relatively attractive. This measures the relationship of gilt and equity yields - when the ratio is high, gilts are offering considerably greater returns than shares, and this often indicates that share prices are too high. When the ratio is low, shares may be cheap.

Experts argue about the usefulness of the ratio, but two recent examples illustrate its merits. According to Datastream, the ratio reached its low of 1.73 for the period 1979-83 on July 27 last year. Since

then, shares have risen by almost 30 per cent. The ratio's high for the same period was 3.46, achieved two weeks before Black Monday's share price crash. At the moment, the ratio is around 2, well below the 1976-83 average of 2.3.

If one compares the returns on equities and cash, shares also look relatively attractive. Again one can argue about the significance of this ratio, but if one uses three-month Libor to illustrate cash returns, this ratio reached its peak (for the period 1976-83) at the start of 1990. As there would expect, 1990 proved a very good year to be in cash and a very bad year to invest in shares.

The current ratio is 1.56, well below the 1976-83 average of 2.3. In practice, this means it is now possible for top-rate taxpayers in the right pep to achieve a higher net return than they could achieve at most building societies.

But now the bad news. The price-earnings ratio measures the relationship of share prices to corporate profits; the higher the ratio, the more expensive (in theory) share prices are. The ratio reached its 1976-83 peak (21 on the FT-A 500 index) in the summer of 1987.

The p/e on the FT-A 500 is now 17.3, well above the 1976-83 average of 11.2. On that basis, share prices are expensive, not cheap. Bulls would argue that the UK is coming out of a recession and that profits will soon rise sharply. The historical p/e is thus irrelevant; it is future earnings that matter. However, the UK was also coming out of a recession in the early 1980s; and historic p/eps were much lower then than they are now.

The dividend yield on the All-Share has proved quite a good guide to the attractions of shares over the years. On the plus side, it is currently higher than inflation (a rare occur-

rence over the last 25 years); on the negative side, at 4.4 per cent, it is lower than the historical average of five per cent, which has proved a good benchmark through high inflation eras and low.

So, what is the message of all these statistics? One certainly cannot say "shares are cheap; fill your boots". But history has taught Britons that it is unwise to ignore shares altogether. So the first choices for those who want to buy equities should be low-cost unit or investment trust savings schemes (to smooth out the highs and lows); or one of the many types of guaranteed products on the market. The latter can be complicated so read the small print.

● I have had considerable response to my article two weeks ago about Michael O'Higgins's stockpicking theory. Let me stress that this is no "magic" route to profits (no such thing could ever exist); and that, as one reader correctly pointed out, a portfolio of just five stocks must inherently involve more risk.

Just to restate the theory: it involves taking the 10 highest yielding stocks in the index and, of those, selecting the five with the lowest share prices. The process needs to be repeated once a year, with old stocks discarded.

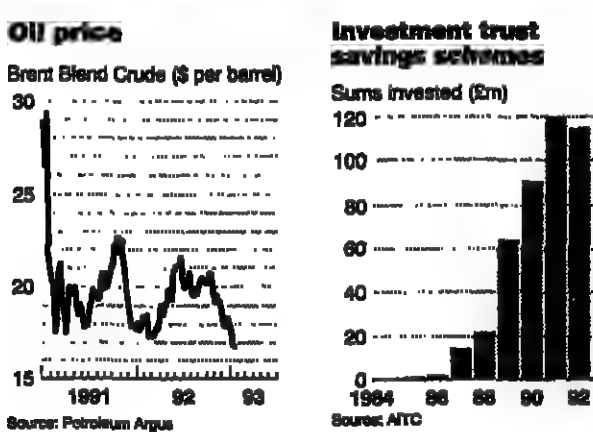
The FT-30 index which I used to provide a British counterpart to the Dow is less frequently updated than it used to be. A reader with a good data base might want to test the theory using the FT-SE 100 index since launch.

The current constituents of the FT-30 are: Allied Lyons, Asda, BICC, BOC, BTR, Blue Circle, Boots, British Airways, British Gas, BP, BT, Cadbury Schweppes, Courtaulds, Fortis, GEC, Glaxo, GrandMet, GKN, Guinness, Hanson, ICI, Lucas, Marks and Spencer, NatWest, P&O, Reuters, Royal Insurance, SmithKline Beecham, Tate & Lyle and Thorn EMI.

HIGHLIGHTS OF THE WEEK

	Price	Change	1992/93	1992/93	
	Yield	on week	High	Low	
FT-SE 100 Index	2781.2	+16.1	2881.6	2281.0	Base rate hopes.
FT-SE Mid 250 Index	2909.0	+18.4	2919.3	2157.5	Interest returns to FT-SE stocks.
Barclays	413	+39	416	274	Broker buy recommendations.
Brent Walker	16	+9.2	16.4	4	Setting open opening hours.
British Aerospace	215	+30	379	100	Taiwan Aerospace deal.
Charter Consolidated	998	+49	998	487	Announced sell of JM stake.
Fortis	175	-7	282	112	Dividend concerns.
General Accident	581	+21	605	356	Hoare Govett buy note.
Reuters Holdings	1310	-71	1438	982	Caution ahead of figures.
Standard Chartered	653	+58	655	364	Broker buy notes/bid speculation.
Tadpole Technology	224	+48	239	73	Institutional buying.
Thames Water	474	-19	518	324	Directors shares option sales.
Vodafone	381	-23	434	286	FCN competition fears.
WPP	67	+10	115	31	S.G. Warburg recommendation.
Yorks. Tyne-Tees TV	134	+12	191½	110	Positive results.

AT A GLANCE



Oil market fails to react to air strikes against Iraq

Oil prices shrugged off the air strikes against Iraq. Two years ago, the aftermath of Iraq's invasion of Kuwait pushed oil prices to their highest in years but this time there was little effect on the market.

North Sea Brent crude for March delivery increased by about 30 cents a barrel on January 13, the day of the air strikes but ended the day unchanged at \$17.10 a barrel. The lack of activity underlines the weakness of the market. Prices have been depressed because of overproduction by Opec, with Brent crude falling by \$1 a barrel since the beginning of the year.

Fall in savings schemes

Investment trust savings schemes last year showed their first annual fall since the schemes began in 1984. The total amount invested through savings schemes for the year was £115.5m, down from £119.5m for 1991.

The Association of Investment Trust Companies attributed the fall in the year to poor stock market performance and lack of investor confidence because of the weak economy. However, the final intake of £33.49m last quarter was strong. Lump sum investments accounted for most of this rise, totalling £21.72m, an increase of 87 per cent on the third quarter.

Chase de Vere's pep guide

Chase de Vere has produced a new edition of its Pep Guide which gives details of Personal Equity Plans available. The guide gives performance figures for unit, investment trust and single company PEPs, but not managed plans. The top performing unit trust PEP over the last three years was the St James's Place PEP Progressive with a rise of 81.2 per cent. The guide is available for £9.95 from: PEPguide, Chase de Vere Investments, 63 Lincoln's Inn Fields, London WC2A 3JX.

Revenue may repay benefit tax

Employees who have paid tax based on more than the marginal or additional cost of their in-house benefits may be eligible for repayments. The Inland Revenue said this week. These benefits include goods sold at a discount, services and facilities provided in-house, or business assets made available for employees' private use.

Smaller companies still rally

Smaller company shares resumed their rally this week. The County Small Companies Index rose 1.2 per cent, from 573.25 to 585.11, over the seven days to January 21; the Hoare Govett index (capital gains version) increased 0.8 per cent from 1251.67 to 1258.27 over the six days to January 20.

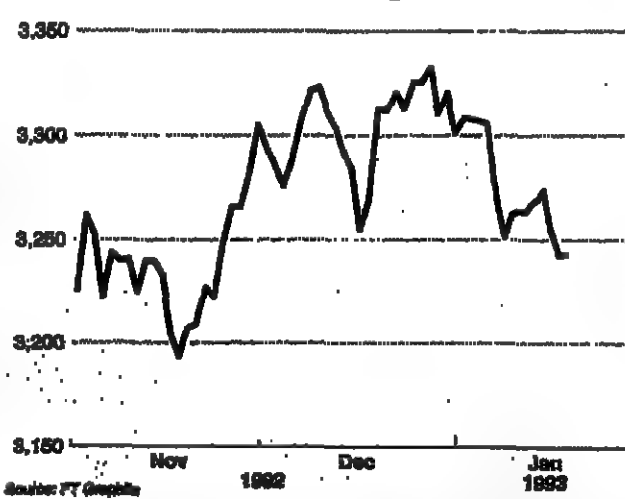
The FT Quarterly Review

A new tax year starts in just over nine weeks, heralding the risk that the government may increase direct taxation or reduce the scope of tax shelters. It is therefore time for savers and investors to take advantage of tax-efficient vehicles still available, and to check that their finances are structured in the most tax-efficient way. The winter issue of the FT Quarterly Review of Personal Finance, to be published with next Friday's paper and repeated with Saturday's, in the UK only, offers a checklist of things to do with April 5 in mind. The review also includes a survey on Personal Equity Plans.

Wall Street

The money engine begins to lose power

Dow Jones Industrial Average



shows no sign of slowing down. On Thursday alone, Dean Witter, Discover & Co, the securities broking and credit card operation soon to be sold by retailing giant Sears, Roebuck, announced it intends to sell \$3bn of its debt securities. UAL, parent of United Airlines, filed plans to raise \$1.5bn through the sale of a variety of fixed-income and equity securities.

The fall in underwriting business in the fourth quarter of 1992, therefore, may turn out to have been a brief interruption of an upward trend. Elsewhere in the financials sector, bank stocks were cheered this week by further evidence that the recovery in the US banking industry is now fully underway. Citicorp, which came to symbolise the problems of the

banking sector, led the way with a profitable final quarter, which helped the group return to the black in 1992 after big losses the previous year. Expense reductions have played a vital part in Citicorp's revival, a point that was mirrored at other banks, such as Chase Manhattan and Chemical Banking, which unveiled strong fourth quarter earnings achieved in part because of effective cost-cutting and restructuring measures.

Perhaps the clearest sign that the worst is over for the banking industry, however, came not from the big New York money centres, but from their counterparts on the Pacific coast.

BankAmerica, which recently completed its merger with fellow San Francisco bank Security Pacific, was reported to be close to reaching an agreement to sell as much as \$2bn in bad property loans to Morgan Stanley Realty Fund. Analysts said the transaction indicated that capital is finally returning to the beleaguered California property market, which bodes well for those west-coast banks

which have struggled in recent years under the weight of soured commercial property loans.

A few days later, shares in another California bank, Wells Fargo, took off after the group reported that its annual earnings had improved more than tenfold to \$283m. Investors rushed to buy the stock on the news, sending it soaring \$13 to \$79.

This week also included a stark warning to anyone who invests heavily in high-flying biotechnology stocks. The market capitalisation of Centocor plummeted more than 60 per cent in just one day after the company announced it was halting testing of its Centoxin drug, which is used in the treatment of an often-fatal condition called septic shock, because an unexpectedly high number of patients had died while using the drug in trials.

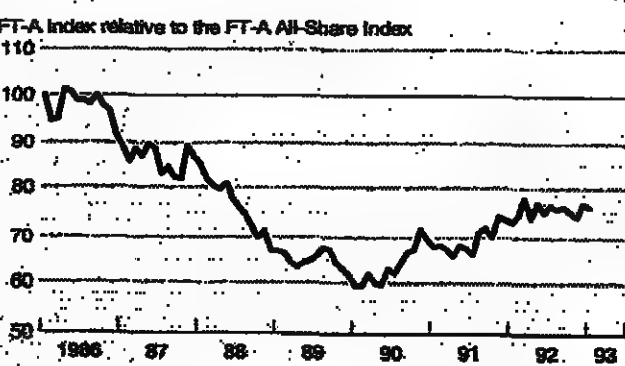
Patrick Harverson

Monday	3274.91	+ 3.79
Tuesday	3255.99	- 18.92
Wednesday	3241.95	- 14.04
Thursday	3263.02	+ 11.03
Friday		

The Bottom Line/Neil Buckley

Retailers miss that festive fun

Stores



Feelings are more mixed about Burton, the fashion retailing group, which is also being shaken up by new management. Some believe this is another stock that could blossom whether or not the economy improves - although over a longer period than at Storehouse.

John Hoerner, chief executive, this month announced the loss of 2,000 full-time jobs but the creation of up to 3,000 part-time ones, in a wide-ranging rationalisation and cost-cutting programme. Observers are divided about whether even the experienced and tough-talking Hoerner can turn around a company with 10 different trading formats - some of which are looking distinctly tired. But with about \$2bn turnover and among the lowest margins in the sector, the scope for growth is huge.

Other interesting prospects

Storehouse's balance sheet, disposing of the Habitat and Richards chains, and begun to transform the company into a clearly focused retailer. Moreover, Dworkin's reform process has just started in BHS, and could unlock huge untapped potential in Mothercare.

Stores

Stores

Stores

are offered by the "quality cycle", well-run companies whose fortunes tend to mirror very closely the general state of the economy.

MFT, as a furniture retailer and maker, is heavily dependent on a pick-up in the housing market. But with the highest operating margins in the sector, about 60 per cent, any signs of such a pick-up will have a sharp impact on its profits.

Argos, essentially a consumer durables retailer, also stands to gain strongly from any recovery in spending. Analysts say it is a well-managed company - one of the retailers best equipped to prosper.

Dixons, the UK's largest electrical retailer, continues to trade well in the UK. White goods could see a big upturn if the housing market improves. Concern over continuing losses at its Silo chain in the US deters some analysts from recommending it.

In the meantime, retailers will continue to pray for that recovery, and that next year's Christmas lasts longer than the last. There are, after all, only 280 shopping days to go.

هكذا من العمل

FINANCE AND THE FAMILY

The lesson of hindsight: the best buys of 1988

THE ECONOMIC news may have been gloomy for some time, but investors have actually enjoyed quite good returns over the past five years. Interest rates have been high for much of the period, but equity-based products have also shown decent profits despite the impact of adverse factors such as the UK recession and the Gulf War.

The table shows that most commonly-held investments have managed to beat inflation and that a significant number of products have produced nominal returns of more than 50 per cent. It also may tell you what you should have invested in five years ago.

Tax efficiency helps - which is why, looking at the average figures, friendly society bonds and managed pension funds are top of the list.

The snag is that, though the percentage returns are high, it would have been hard to become rich out of a friendly society investment. The maximum monthly contribution into a friendly society in 1988 was 29 a month.

Also, friendly society rules

would stop you from realising an investment for another five years - you would only get back your premiums if you surrendered early.

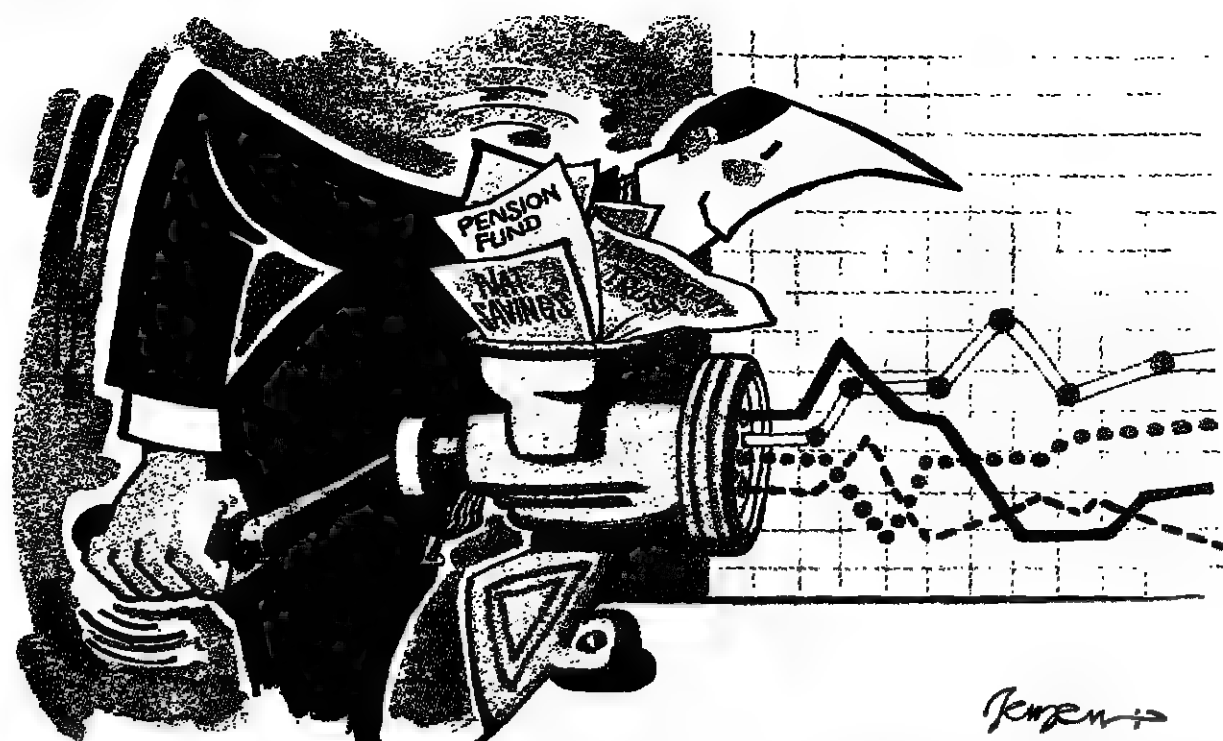
Pension funds also have strong tax advantages and the average figures look good. However, those who are about to retire may find that the recent falls in annuity rates offset their profits. Just

investments listed reflect the impact of basic rate tax only. Building society returns were not too far behind index-linked National Savings (at least for larger depositors) and were marginally ahead of unit trusts. The Cheltenham & Gloucester returns are net of basic rate tax and assume the investor switched from the Gold account to the London

and what with bid-offer spreads, brokers' commissions and stamp duty, the factors probably balance out. It is likely that many private investors will have struggled to beat the returns from the FT-SE 100 index or the All-Share.

Of the main markets, the best place to have picked in January 1988 was the US. The Dow Jones index more than doubled, in sterling terms, over the past five years, with more than a bit of help from the pound's decline against the dollar. The best way for a UK investor to take advantage was via a North American investment trust (up an average 174.3 per cent over five years) or a unit trust (up 117.5 per cent).

Most UK investors, however, stay close to home, and the average returns for all trusts are less impressive. Investment trusts look better than unit trusts in the table but savers should be aware of two important factors. The first is that investment trust returns are shown on a mid-market to mid-market basis (with net income reinvested) and do not reflect the full bid-offer spread or brokers' commission. The unit



Philip Coggan on the most successful investments of the past five years

because they have a bigger pension fund, they will not necessarily get a bigger pension than they would have a year ago.

Elsewhere, what will strike many savers is that it was possible to get a very good return at minimal risk. Index-linked National Savings offered a healthy 68 per cent return and allowed the investor to sleep at night without any worries about safety. Indeed for top rate taxpayers, index-linked look even better in comparison; since several other of the

deposit account at the right time.

In January 1988, the Crash of October 1987 was very fresh in investor's minds. Few investors will have been venturing into equities at that time. Those who did take the plunge will have done moderately well, but not extraordinarily so.

We have included the stock market indices purely as a guide. They reflect capital gains only, and do not include the yield. On the other hand, they do not allow for any costs

trust figures (offer-to-bid with net income reinvested) take all charges into account.

The second factor is that the share price performance of many investment trusts will have benefited from a narrowing of the discount over the five-year period. With some trusts now standing at a premium to net assets, this factor is unlikely to recur - and may well work against investment

trusts over the next five years, if the discount starts to widen.

Of course, averages are all very well. The actual returns from investing in a unit or investment trust varied very widely from a gain of 306.5 per cent (from investing in the best unit trust - F&C US Smaller Companies) to a loss of 98.5 per cent (from the worst investment trust - Gresham House). Unit trust sector averages

are shown as the easiest way of indicating fixed interest returns - and reveal that, because of the pound's decline, the biggest profits were achieved overseas.

Finally, a word about single premium bonds. The average managed fund lagged behind the average unit trust; even though the bonds are measured on an offer-to-offer basis, giving them an advantage.

Although past performance is useful information, the chances are high, of course, that the comparative returns over the next five years will be completely different.

Figures were taken from Micro-plot and Finstat, except for the indices (from Datastream) or the building society and National Savings figures (provided by institutions concerned).

Five year performance

US market (Dow-Jones Industrial in £ terms)	111.3%
Average friendly society unit-linked policy	89.0%
Average managed pension fund	88.9%
FT-SE 100 index	88.2%
Average investment trust	85.9%
Index-linked National Savings	85.0%
FT-A All-Share	86.7%
C&G Gold Account/London (£10,000 deposit)	85.6%
Average unit trust	84.8%
Average International Fixed Int unit trust	82.5%
Fixed Interest National Savings	82.1%
Average managed unit-linked bond	49.3%
C&G Gold (£1,000 deposit)	41.9%
Average UK gilt unit trust	38.3%
Retail prices index	34.7%
Tokyo market (Nikkei-225 in £ terms)	-5.3%

Don't panic on executive pensions

SOME life companies think they have found a new way to sell executive pension plans.

The Inland Revenue has announced that the rules governing contributions to EPPs - available only to company directors and high-ranking executives - may be too generous. It is considering tightening them.

Several companies have used this as an excuse to push executives and companies towards taking out the schemes. They are acting prematurely. The Inland Revenue this week made it clear that no decisions had been reached; it is not yet clear that any change will be made. There is certainly no timescale.

The Association of British Insurers (ABI), which is in confidential talks with the Revenue on behalf of the pensions industry, has taken a similar attitude. A spokesman said: "It is quite clear that nothing has been decided. If anyone is putting about that things have been decided, then that's wrong." Neither side denies that discussions are taking place, prompted by the Revenue's desire to tighten the rules.

The Revenue has been stirred into action by the high benefits that executives are able to earn: pension contributions can be set as a level amount rather than a proportion of current salary, allowing young executives to put away huge proportions of their income. This was allowed because it was assumed executive salaries would rise significantly before retirement.

Under the current rules, a 30-year old starting an executive scheme can make contributions equal to 110 per cent of salary. This could be cut to 35 per cent. Individuals can also walk away from the schemes, taking their entire fund value with them. If they retire early or if the scheme is wound up, directors can take excessive benefits in retirement.

So the Revenue's disquiet is understandable. If, as seems likely, the regulations are tightened, it could pay directors and companies to set up schemes sooner rather than later. It is still unclear, however, what the new regulations would be. They could even be retrospective, making action now pointless.

Regrettably, this has not prevented some life offices from using the change as a chance to sell. For example, advisers Chamberlain De Broe received a mailshot from NPI headed:

"For You: A New Sales Opportunity."

It goes on: "As you know, the Inland Revenue is soon to impose dramatic new changes which will affect the method of funding for Executive Pension Plans and possibly Small Self-Administered Schemes too."

Mark Bolland, of Chamberlain De Broe, said: "We are getting tired of watching the industry deservedly earning its poor reputation by pushing something which a) might not be appropriate and b) might anyway be violated by the Revenue rules."

In a gloomy economic climate, committing yourself at the age of 30 to regular payments of more than you are earning could be dangerous. Companies are also advocating that people start regular premium contracts to establish an arrangement before the Inland Revenue can change the rules.

However, an inflexible contract that calls for regular premiums, at a rate which is in excess of your current salary, could soon impose an unwieldy strain. And Bolland notes that it is needlessly expensive. For a man earning £25,000, the maximum contribution could be £50,000, he says, generating a commission, if on a regular premium basis, of about £28,000 in the first year.

Insurance companies could charge for a regular contract on a single premium, rather than a regular premium basis. This would work out much cheaper for the investor.

Bolland admits that the schemes can be very tax-efficient, but only at the expense of flexibility. He says: "There are, no doubt, many companies that set up this type of scheme on high contributions in good times, before the recession, and have since found that cash flow has prohibited those levels of payments from being maintained. The bottom line is a profoundly detrimental penalty system."

Making contributions on a single premium basis, for younger directors, or, for those nearing retirement, a regular premium contract on a single premium basis, are sensible actions for those worried about the change in the pipeline.

If any brokers or salesmen try a more robust approach, remember that the Revenue is still not committed to doing anything at all, and that the ABI has said no decisions have been made and rebuked members for using the moves as a sales pitch.

John Authers

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*1992 Institutional Investor survey



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How the wealthy take money from the state

ARBITRAGE. THE art of trading to take advantage of different prices in different markets, is one of the oldest games played by financial wheeler-dealers.

Now, the UK's Inland Revenue is falling victim to the same trick. The Business Expansion Scheme, introduced as a tax incentive to encourage the wealthy to risk investing in small enterprises, has become a device to help banks and top-rate taxpayers to take slices of the state's money.

In the process, it has also converted a significant part of the UK's damaging stock of repossessed housing into private rented accommodation. This is good news for the homeless and for homeowners in houses where values are dropping. But whether the government intended the windfall for top-rate taxpayers to be so generous is another matter.

When the arbitrage scheme is finely tuned, it works as follows: an institutional lender (usually a bank) finds itself with a large stock of repossessed housing; dumping it on

to the market at current values would increase its loss.

Instead, the bank sets up a BES company which takes control of the property. That company must then rent out the property under "assured tenancy" regulations for five years to qualify for BES relief. The bank covenants to buy back the property at the end of five years, at a price only

is on a "non-recourse" basis, so the BES shares themselves offer the only security which the banks can use.

So investors can leave the investment, for a profit, after only six months. Meanwhile, the banks have received £1 and paid out only 72p for it. Both sides have thus profited handsomely from the relief.

Non-recourse schemes were

long term, the attractions of non-recourse schemes are undeniable. Most schemes launched so far have been oversubscribed within a week, and many investors have put money into the BES for the first time.

But this creates dangers. Bank-guaranteed non-recourse loan schemes genuinely have a low level of risk. But many other schemes launched in the next 12 months will not be so watertight. Others will be highly speculative.

Some schemes, mainly involving universities, offer a "guaranteed" return after five years. These returns will usually be greater than those on offer after five years in schemes which offer a six-month loan, so they might be preferable if the five-year term is not a problem. In many cases, these schemes are guaranteed only by the universities themselves, so the credit risk is greater than for a bank-backed scheme.

Other "entrepreneurial" schemes make no guarantee, and simply aim to profit as much as possible from any



gain in the property market. They have unlimited potential growth, but no safeguard against a continued decline.

Schemes launched this week demonstrate the differences: Flexit, sponsored by Richard Ellis Venture Consultants, has exit arrangements backed by the Royal Bank of Scotland. The loan available after six months is high, at 74p for every £1, but the return after

five years is only 105p. It will purchase new homes for Fairclough Homes, a subsidiary of AMEC, and is not involved in repossessions.

The Kidings Companies, sponsored by Capital for Companies, will buy new houses from the developers Tay Homes and Persimmon. A non-recourse six-month loan of only 71p per £1 has been underwritten by the Bank of Scotland, but 105p

per share has been guaranteed at the end of five years.

Pathfinder Repossessions II, backed by Johnson Fry, is returning to the market. As its name implies it will buy repossessed property, in London. However, it offers no guarantees. The aim is to make as much money as possible, but this would be vulnerable to a weak property market, or to any mistakes by managers.

Capital Prime Properties, also sponsored by Johnson Fry, is a hybrid. It is offering loans at the rate of 80p per £1 invested after six months. These loans are not repayable until the end of the five-year BES period, but they are on a full recourse basis - if the property market does not recover, you will have to pay more at the end of five years. If it does, you could make a profit.

John Authers asks if a device to help banks take slices of the state's money is supposed to be so generous

slightly in excess of that paid. Meanwhile, investors buy shares in the BES at £1 a time. Thanks to BES tax relief, they receive 40p in tax relief, if they pay top-rate tax, so they have effectively only invested 60p.

Six months later, the bank offers a loan against the BES shares of 72p for every £1 share. That represents a substantial mark-up over six months for someone who has only parted with 60p. The loan

first introduced in September last year and have proved popular. Banks involved included Barclays, TSB, and Bank of Scotland.

The Inland Revenue, meanwhile, is allowing both banks and wealthy investors to make some very easy money. Basic rate taxpayers, who effectively invest 75p per £1, cannot benefit from this trick.

For those not prepared to lock their money away for a

Directors' transactions

THE sharp increase in boardroom activity this week has been dominated by directors' sales. With the FT-SE 100 index pausing for breath, directors have taken advantage of share prices often standing at record levels.

Faber Prest's mixture of specialist services has proved an effective defensive combination. The share price, reflecting the improving profit figures, has risen from 180p in May 1991 to the current level of 380p. Chairman Richard Prest has sold 155,000 shares at 377p. He remains the largest shareholder on the board.

Dalepak Foods had a mixed year so far as share price performance is concerned. Interim profits were marginally lower

than last year and the chairman's statement suggested the final year outcome would be broadly similar. The interim announcement was accompanied by details of sales by four directors, including Christopher Ivory, chief executive. In total, they sold 100,000 shares at 315p, but each of the directors is left with a residual holding greater than 100,000 shares.

Property shares have enjoyed a good run since Black Wednesday but Peter Levy, chairman of Shaftesbury, has not been deterred; he bought 105,000 shares at 47p. At the same time Neil Benson, a non-executive director bought 20,000 shares, also at 47p.

Angus MacDonald, Director Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Sector	Shares	Value	No of directors
SALES				
Bellway	C&G	73,758	242	1
Bespak	Hilti	5,000	51	1
Betterware	Star	100,000	233	1
Bradford Property	Prop	10,000	16	1
Concentric	EngG	3,000	12	1
Dalepak Foods	FdMa	100,000	315	4
Faber Prest	Misc	155,000	584	1
Great Portland CULS	Prop	160,000nom	147	1
Henderson Admin	OffH	2,000	17	1
Laird Group	Mot	87,680	255	1
McKechie	OffH	20,000	79	1
Neotronics Technig	Elec	15,000	24	1
Rank HovisMcDougall	FdMa	65,300	185	2
Rathbone Bros	OffH	35,000	89	1
Reed International	Med	65,000	410	1
Savills	Prop	100,000	36	1
Saxon Healthcare	Hilti	60,000	183	3
Sheldons Jones	FdMa	160,000	72	1
Tibbitt & Britten	Tran	25,000	159	1
Tomkins	Cong	757,000	1,692	1
Trinity Int	Med	4,305	15	1
TT Group	EngG	865,000	1,678	2
Wassall	Cong	1,635,748	3,370	3
Yule Catto	Chem	10,000	27	1
PURCHASES				
Allied Leisure	H&L	480,000	114	1
Babcock Int	EngG	50,000	18	1
Burdens Inv	Mot	7,275	27	1
Cullen's Holding	FdRe	189,333	21	2
Eastern Electricity	Elec	9,900	42	1
Elliott (B)	EngG	85,316	60	1
Scott National St Pl	InTr	7,600	12	1
Shaftesbury	Prop	135,000	63	3
Southern Radio	Med	652,740	326	1
Thompson Clive Inv	InTr	23,600	29	3
TT Group	EngG	1,193,458	1,993	7
Wassall	Cong	48,368	102	1
WPP	Med	100,000	55	1

Value expressed in £000s. Companies must notify the Stock Exchange within 8 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 11-15 January 1993.

Source: Directus Ltd, Edinburgh

NAP SHARE TIPS FOR 1993

Every year, no matter how the stockmarket performs, some technology shares stand out. That is because the fertile minds of scientists and engineers are forever coming up with new products and better ways of doing things.

This means big profits for those to first spot the opportunities. Just look at the recent stunning share price gains in Rodime and Tadpole - 642% in three months and 267% in little more than a week, respectively.

Both were tipped in Techinvest, the only investment newsletter dedicated to technology shares on the London market. Published monthly since 1984, each issue seeks to ferret out the emerging winners in this exciting sector.

The January issue lists the carefully researched nap choices for 1993. For a FREE sample copy and details of special introductory offer send name and address (block capitals please) to:

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- 1992**
 - International Unit Trust Manager of the Year: The Sunday Times
 - UK Unit Trust Manager of the Year: The Sunday Times
 - Unit Trust Manager of the Year: The Observer
 - Overall Unit Trust Group of the Year: The Sunday Telegraph
 - Large Unit Trust Group of the Year: The Sunday Telegraph
 - Fund Manager of the Year (Investment Manager): The Sunday Telegraph
 - Large Unit Trust Group of the Year: Money Magazine
 - Best Unit Trust of the Year
 - Australian Stock Companies Fund: Money Observer
 - Best American Trust of the Year
 - Australian Stock Companies Fund: Money Observer
- 1991**
 - International Unit Trust Manager of the Year: The Sunday Times
 - Medium Size Unit Trust Group of the Year: Money Magazine
- 1990**
 - Best UK Balanced Trust (High Income Fund): Money Observer
- 1989**
 - International Unit Trust Manager of the Year: The Sunday Times
 - Unit Trust Manager of the Year: The Observer
- 1985**
 - Unit Trust Manager of the Year: Money Magazine
 - Unit Trust Group of the Year: The Observer
- 1984**
 - Smaller Unit Trust Group of the Year: The Sunday Telegraph
- 1981**
 - Best Income Trust (Income Fund): Money Observer

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Past performance is not necessarily a guide to future performance. The value of an investment and the income from it can go down as well as up.

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FINANCE AND THE FAMILY

Only a niche position

FOR BREADTH of choice, the "international balanced" unit trust sector offers more opportunities than any other.

A quick look at their specifications shows why. According to the Unit Trust Association, these funds "have less than 80 per cent of their portfolio invested in either equities or fixed interest securities". Geographical areas are not mentioned. Fund managers, provided they keep a balance, can invest in virtually any security, anywhere in the world, which they believe will perform well. Such funds may be the unit trust world's answers to the steadily galleons of the "international general" investment trusts, which have broadly spread international assets.

Managers face a different challenge from that in most other sectors. Usually their remit is tight. They must stay in, for example, UK smaller companies, even if they think these companies will underperform. Outperformance comes from superior stock selection. In the international balanced sector, asset allocation, not stock selection, is the determining factor. Ideally, they will ride with the best-performing asset of the moment, switching when necessary, and avoiding sharp changes or speculative moves by retaining balance.

The only trust with a ten-year record, Gartmore Global Income & Growth, appears to have delivered this, with growth of 538.45 per cent over ten years according to Microcap (offer-to-bid, with income reinvested). The powerful UK equity market performance of the mid-1980s lies behind much of this, while more recently holdings in Far Eastern equity markets and in international

bonds have kept the fund growing at a respectable, if more sedate, rate.

Its asset allocation at the beginning of the year included a wide mix, with 79 per cent in equities - 19 per cent in the UK, 10 per cent in continental Europe, 5 per cent in Japan, 27 per cent in the US and 18 per cent in the Far East and in emerging markets. There is a 4 per cent UK cash holding, and Gartmore also holds European, Japanese and American bonds.

This reflects the "top-down" asset allocation which the company also uses for its segregated pension funds. This dictates being overweight in emerging markets, the UK and

during 1992.

Whittingdale has built its reputation as a gilt manager, and does not wander far into the equity markets. However, the fund, occasionally, has held equities over the last few years.

Look to the third strongest performer, The Master Portfolio, managed by Capel-Cure Myers, and yet another world asset allocation view emerges. Capel-Cure has 52.5 per cent in UK equities, 15 per cent in Europe, 15 per cent in the US, and 17.5 per cent in cash and bonds.

This diversity means that investors looking for a trust must also adopt a different

John Authers says the international balanced unit trust sector has a place - but you need to know where

the US, and underweight in Japan and Europe.

Whittingdale Challenger, second over five years, could hardly present a greater contrast. It holds no equities at all, and is split between cash and bonds. Roughly 70 per cent of the fund is in gilts (UK government bonds), and the managers are in the process of reducing exposure to the dollar and moving in to French francs and bonds. It went overweight in the dollar last year, enabling it to log 22.43 per cent growth

approach. Most managers try to make these trusts the potential bedrock for a portfolio, which will handle clients' asset allocation for them.

For example, the Master Portfolio is intended to mirror the portfolio which would be established for an investor who came to an investment house with £1m to invest, according to Kenneth Levy of Capel-Cure Myers. Its minimum investment, of £50,000, is in line with this ambition.

Similarly, Whittingdale

Best performing international balanced funds over five years

	% growth
Gartmore Global Income & Growth	75.02
Whittingdale Challenger	72.54
The Master Portfolio	55.53
Marlborough Managed	45.13
Royal Life International	39.73
Caithness	38.73

Best performing international balanced funds over three years

	% growth
Stewart Ivory Managed Equity	43.4
Whittingdale Challenger	36.97
Gartmore Global Income & Growth	30.22
Marlborough Managed	25.57
Mercury Portfolio	19.89
Average	18.75

An unkind cut

WITHOUT any approach or warning whatsoever, my next door neighbour has informed me by letter that branches from my tree have caused damage to his garage roof and that he has had this repaired and cut my branches. He informed me that he would be sending me the bill for this work which he hoped I would pay promptly.

I replied denying responsibility, saying that I had noticed for many years a tile missing from his garage roof, and that this had been caused by storm and I refused to pay. I also mentioned it would have been neighbourly for him to have spoken to me previously. Incidentally, the adjoining houses, including my adjoining neighbour's, all have roof tiles

missing now or have had replacements, because, I assume, of weather conditions.

My neighbour has now sent me an account for £55 showing replacement of approximately seven tiles, securing six tiles and cutting my branches.

My gardener says the branches would not have lifted off roof tiles or damaged them as they tend to grow away from the tiles. My neighbour also asks me to cut back branches overhanging his property at another part of our common boundary. What is your advice?

■ Your tree will have caused both a trespass and a nuisance to the extent that branches have grown across the boundary with your neighbour. If your neighbour can prove that the damage of which he complains was caused by those

branches, he is entitled to require you to pay for the repair. This is ultimately a question of fact. Your neighbour can require you to cut trespassing branches, and can cut them himself if he wishes; but he cannot charge you with the cost.

My aunt's estate

When my aunt died many years ago she left her estate in trust to pay the income to a friend for the remainder of her life and, on her death, equally between her nephews and nieces. The will did not include a non-apportionment clause.

The life tenant died on June

Q&A

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given to queries. Contributors will be answered by post as soon as possible.

2 1992 and the trust investments were sold soon after, including useful holdings in Guinness and Shell. Both these companies had then just paid their 1991 final dividends, which were properly paid to the life-tenant. However, the trust solicitors inform us that her estate is entitled to proportion of the future dividends for the year to December 31 1992, although the final will not be declared or paid until nearly a year after her death and will not actually be received because the holdings have been sold.

We are told strict apportionment must be applied and that we could have delayed the sales until after the dividends had been received, although this would have meant waiting a year for any benefit to be received and taking a chance on the state of the market 12 months hence. Is this right?

■ The trust's solicitors are correct. Section 2 of the Apportionment Act 1870 provides for apportionment on a daily basis of dividends.

Executor's entitlement

I am sole executor in a relation's will. I paid a lot of her bills out of my own resources, some of these arising before I had power of attorney. I kept a record of these as I had been looking after her affairs for some two years. Clearly I wish to debit her estate with these before inheritance tax is levied as they fell due before her death. The solicitor is implying that I should have mentioned these before obtaining probate. Is it not enough to give records in the corrective affidavit? They amount to nearly £2,000.

■ I note that you have paid bills on behalf of the estate and have now obtained probate. It should be possible to obtain a corrective affidavit to take the expenses into account when calculating inheritance tax and also ensure that you can obtain a rebate.

If an executor advances money out of his own pocket to pay the debts of his testator, he is entitled to be repaid in full, in priority to the creditors. He is also entitled to an allowance of interest for the money so advanced. Repayment will come from the estate and his liability must be allowed for in calculating inheritance tax.

This reply was provided by Barry Stillerman of accountants Stoy Hayward.

HIGHEST RATES FOR YOUR MONEY					
Account	Telephone	Notice/term	Minimum deposit	Rate %	Int. paid
INVESTMENT A/Cs and BONDS (Gross)					
Scarbrough BS	First Post 0800 590578	Postal	£250	6.00%	Yly
Skipton BS	Money Post 041 246 9737	Postal	£2,000	8.25%	Yly
Scarbrough BS	Scargh Ninety 3 0723 386166	90 Day	£500	7.25%	Yly
Royal Bank of Scotland	Gold Ninety 0800 121721	90 Day	£10,000	8.05%	Yly
Newcastle BS	Nova Star 061 232 6676	1 Year	£5,000	8.25% ¹	Yly
Chelsea BS	Premier VI 0800 272555	31.3.95	£10,000	10.00%	Yly
TESSAs (Tax Free)					
Allied Trust Bank	071 625 0879	5 Year	£9,000	9.49%	Yly
West Bromwich	021 625 7070	5 Year	£150	8.00%	Yly
National Counties BS	0372 742211	5 Year	£3,000	8.75%	Yly
Tipton & Cooley BS	021 657 2551	5 Year	£1	8.85%	Yly
HIGH INTEREST CHEQUE A/Cs (Gross)					
Caledonian Bank	HICA 031 555 8235	Instant	£1	8.50%	Yly
Citibank	Money Market Plus 0800 555884	Instant	£2,000	7.20% ¹	Yly
Chelsea BS	Classic Postal 0800 717515	Instant	£10,000	7.80% ¹	Yly
			£25,000	8.10% ¹	Yly
OFFSHORE ACCOUNTS (Gross)					
Portman CI Ltd	Channel Islands 0481 822747	Instant	£500	7.00%	Yly
Portman CI Ltd	Channel Isl. Plus 0481 822747	60 Day	£10,000	7.75%	Yly
			£25,000	8.00%	Yly
			£50,000	8.75%	Yly
GUARANTEED INCOME BONDS (Net)					
Prosperity FN	0800 521546	1 Year	£25,000	5.50%	Yly
Financial Assurance FN	081 367 8900	2 Year	£5,000	5.80%	Yly
Laurentian Life FN	0432 371371	3 Year	£50,000	6.70%	Yly
Financial Assurance FN	081 367 8900	4 Year	£5,000	6.60%	Yly
Financial Assurance FN	081 367 8900	5 Year	£5,000	7.10%	Yly
NATIONAL SAVINGS A/Cs & BONDS (Gross)					
Investment A/C		1 Month	£5	6.25%	Yly
Income Bonds		3 Month	£2,000	7.00%	Yly
Capital Bonds G		5 Year	£100	7.75% ¹	OM
MAT SAVINGS CERTIFICATES (Tax Free)					
40th Issue		5 Year	£100	5.75% ¹	OM
6th Index Linked		5 Year	£100	3.35%	OM
Childrens Bond E		5 Year	£25	7.85% ¹	OM

This table covers major banks and Building Societies only. All rates (except Guaranteed Income Bonds) are shown Gross. Fixed = Fixed Rate (All other rates are variable) OM = Interest paid on maturity. N = Net Rate. B = Bond.
 * = Rate fixed only until 1.4.93. □ = Rate guaranteed until 28.2.93. S = Rate guaranteed only until 1.2.93.
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 Source: MONEYFACTS. The Monthly Guide to Investment and Mortgage Rates. Laundry Lane, North Walsham, Norfolk, NR26 0BD. Readers can obtain a complimentary copy by phoning 0892 500677.

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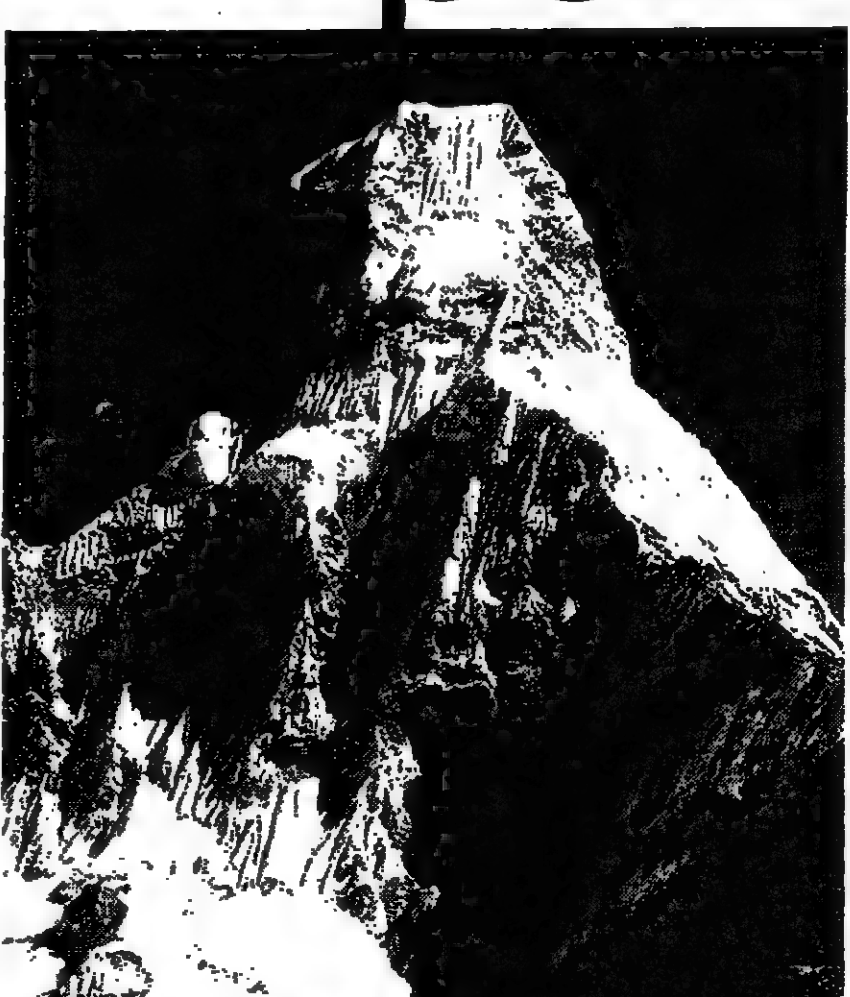
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MINDING YOUR OWN BUSINESS

Computing

Colour your thinking

Robin Brooker looks at innovative software designed to help managers sift data

IN THE pre-computer age it was often said that the business manager's problems were aggravated by lack of data. Now the reverse is true.

Managers suffer from an overload of data. This plethora of data has reached such proportions that often the managers have difficulty seeing the wood for the trees. When it comes to decision making or problem solving it is not raw data but information that is needed.

Information and data are not synonymous. Data is merely the building blocks of information: it is the interpretation of data that provides information. Only when we bring together these pieces of information are we able to distinguish a recognisable pattern.

There are many software packages that support the organisation of our ideas and thoughts. Most computer programs of this type allow the collection of pieces of information as well as rapid and easy restructuring of the individual ideas.

Packages such as *PC Outline* adopt a sequential and linear

approach. *Brainstorm* is more hierarchical; the opening screen shows just the trunk of your thoughts while lower screens gradually reveal more and more branches and detail. *CK Modeller* takes a new and innovative approach much closer to gestalt methodology. *CK Modeller* is described by its originators - Ikon Software - as a package for management thinking. It moves from the six elements of Edward De Bono's perceptions on lateral-thinking to a ten-colour map of ideas, thoughts, issues and assumptions which can be manipulated on the computer screen.

A reasonable analogy is the jigsaw puzzle. Most people when attempting a new puzzle tip all the pieces on to a flat surface. Using

the reference illustration as a guide, they gather together the pieces which appear to relate to particular parts of the picture.

CK Modeller uses much the same method. But, instead of prepared pieces, coloured hexagons are marked with your thoughts. The hexagon allows more relationships to be formed than the simple list of linear, or hierarchical based software. When you have exhausted this initial thinking task you form clusters of those ideas that seem to fit together.

As these separate clusters form you may recognise how particular clusters link together. Other clusters, at this stage, may have no links. It is *CK Modeller*'s ability to show these missing links of the

problem that makes it unique. You have to make up pieces, using new ideas, that will actually tie the different clusters together.

These, initially, may be quite tenuous links: they may be merely annotated arrows. But, as your thoughts progress the separate clusters become more part of the whole and you will gradually build a complete model of your problem or extended idea.

The use of colour within *CK Modeller* is psychological, and a further step towards understanding of the issue at hand. Psychologically, red is the colour of danger, green is for growth, freshness and the new. By encapsulating this evocation within the structure of the problem we are able to pick out

parts which signal danger, or require action, from areas that merely convey information. The completed model will be an icon of the overall thought process and will convey all the nuances of ideas brought forward.

The system of thinking in hexagons is not new - though its use with computer has only recently been made generally available. The computer version offers considerable advantages over its manual counterpart.

First, it offers the ability to construct larger models than would be possible with hexagons and whiteboard. The model might be part of a network of sub-models and by using objects called *activators* *CK Modeller* can launch other models

or even other computer applications that contain the raw data on which the ideas are based. These ideas of cognitive kinetics may be new to you.

Initially, because of my previous experiences and the way I use outlines, I had some learning to do before I could grasp the concepts. Though when I explained the principles to my 20-year-old daughter she immediately recognised its potential. What I had struggled to understand, she grasped within minutes.

Operating the software is simplicity itself. There is no intensive keyboard input as most operations are carried out on a graphics window using a mouse.

CK Modeller is unlike most other computer applications. When the

appropriate formulae and data requests have been put into a spreadsheet or database the computer takes over the work.

CK Modeller requires effort. While it supports your thinking and allows you to restructure your thoughts in a matter of minutes you remain in complete control.

In the user manual that accompanies the software there is a suggestion that once you have encapsulated all your ideas in a model the next step is to build a new lattice using the same set of hexagons. Only this time, take a hexagon from the periphery of the original cluster and regard it as the central theme of your new model. As it will form a different perspective of the problem it will also reveal new relationships and dependencies between individual items. But that, as they say, is another story.

CK Modeller, with manual, a book *Thinking with Hexagons* and a magnetic travel kit for hexagon planning without a computer, is £395 plus VAT and £5 shipping from Ikon Software, Edradour House, Pitlochry, Perthshire, PH16 5JW. 0796 473709



Print for success: Peter Duxbury (left), the London Scarf Company's managing director; Jane Swan, sales manager and David Hopkins, production manager, show off their wares

Warm glow of profits keeps out chill of recession

PETER Duxbury is looking forward now to a business life better than mere survival. The London Scarf Company, which he set up a little more than a year ago designing and contracting out the printing of scarves for big department stores, has turned in remarkable first-year sales of £570,000. "We have just started in the tie market as well. I'd hope to do overall sales of £1m in our second year."

London Scarf is a classic example of an infant business created by people already working in the same trade by working for large companies. Duxbury was a manager at Josef Otten, an Austrian textile distributor. He finished his days there in 1981 by winding up that company's British trading operations.

He decided to set up on his own, taking with him two Josef Otten employees. He had promised orders from Jacquard, a UK scarf brand whose operations had been serviced by companies Duxbury had once worked for.

The idea was to design scarves in London and have them made by low-cost printers in China, Japan and Italy for importation into Europe. "We decided we could develop a product which we would target on major retailers rather than a mass of small shops. Joseph Otten had 400-500 customers for its scarves. We have 23 which are most of the big department store groups."

Duxbury had £100,000 of his own to put at the company's disposal. "The company is well funded. It has to have good secure footing or I would not have gone into it."

On top of that, Duxbury negotiated with Hambros Bank a reserve figure of more than £40,000 to be tapped into if necessary. "Hambros have been wonderful. They have given us every support."

As it happens, setting up London Scarf was not expensive. Duxbury puts start-up costs at about £15,000. That included legal fees and first payments on a smallish works studio whose yearly rent, for

500 square feet in London is a rather high £14,000.

In its first year, the company produced 100 designs and close to 200,000 scarves, all but 10 per cent of which were silk. A little over a half of production was supplied wholesale to department stores. The rest - still using London Scarf designs - were bought direct by stores from the scarf printers, Duxbury's company collects an agency fee.

London Scarf takes most of its designs from paintings submitted by freelance artists. An artist receives about £350 for a design and its colour work. Selected designs are air-mailed to one of London Scarf's three manufacturers - in Tokyo, Shanghai and in the scarf printing area near Lake Como in Italy.

A typical London Scarf product uses 10 to 12 colours. Much

the cost of producing them. The biggest margins, as so often happens, are enjoyed by the retailers. A silk scarf retailing at £20 will be bought by the retailer for about £7.

Duxbury says the pre-tax margin for the first year was about 5 per cent but he is looking for an eventual return on capital of 30 per cent. London Scarf's main competitors include two US companies, Echo and Liz Claiborne, as well as in-house designers some stores employ.

About a quarter of the company's sales are in France. The Monoprix chain placed the largest order of the infant company has so far enjoyed - one of £50,000. Duxbury is keen to find agents for his scarves in Germany, Spain and Scandinavia. Apart from reducing dependency on the UK's £1m silk scarf market, such expansion would prove particularly lucrative. The idea is to sell the design in a number of countries. This would raise profits by spreading design and screen-production costs. Nylon scarves, which are stored at the scarf printers, last for three years before corroding.

London Scarf caters for the middle mass market. "We'll wait for two years before deciding whether to go into boutiques. A typical boutique buys from a merchant a scarf for £15 and sells it for £50."

The downside is that this would force London Scarf into becoming a holder of stock, another cost burden.

Duxbury would like to have scarves printed in the UK but says the one silk printer capable of doing it - a company used by Liberty's - has high production costs. London Scarf will almost certainly stick to overseas silk printers for its ties. "We are crashing into the tie market although it is very competitive," says Duxbury. "We have so far done 7,000 for France. We are expecting to do 60,000-70,000 ties this year."

In recession, retailers squeeze the margins of little companies like London Scarf. But tough trading has a silver lining, Swan says: "What has helped us is that department stores are cutting their numbers of buyers and, as they are more hard pressed, they tend to depend more on our advice."

The London Scarf Company, 301 Blackfriars Foundry, 156 Blackfriars Road, London SE1 8RN. Tel: 071-721-7070

Nick Garnett visits the London Scarf Company, where first-year sales totalled £870,000

more expensive Hermès scarves might have up to 30. In preparation for printing, each colour (with its own part of the overall design) must be converted by the printer into an individual "screen", usually made of nylon. Each colour with its pattern is printed separately on each scarf, the silk moving underneath the fixed screens through which dye is poured.

"Surprisingly, the process is much more automated in China than in Japan but actual material handling is much more advanced in Japan," says Duxbury.

"For the same money you get a better scarf from China than from Japan," says Jane Swan, who also came from Josef Otten. "It is thicker and hemmed by hand."

The cost of designing a scarf and producing its colour screens (a further £1,000) must be absorbed in the price. Production runs for a scarf design range from 500 to about 6,000. London Scarf makes a relatively tight average return of between a third and 40 per cent, measuring the price it receives for each scarf against

Faith and science

Continued from Page 1

replicating computer virus. The radical theologian Don Cupitt, dean of Emmanuel College, Cambridge, sees religion as another kind of programme, a developing activity rather like art, which can discover no final or absolute truth.

"For example, to say 'He ascended into Heaven' means nothing to us now," he said. "All dogma is entangled in a medieval world view and has to be rethought as a whole - you can't do it piece by piece."

A more charitable view of the Vatican's programme is taken by the Rev Dr Arthur Peacocke, a physical biochemist and Anglican priest who has also taken part in the conferences at Castelgandolfo. The Pope's summer residence. "Given their inbuilt reactionary system it is to their credit that they have put the record straight in their own

legalistic way," he said. Science and theology might be addressing different questions but they applied similar criteria.

"People put them together in different ways. I say both are part of truth and reality and you can't put them in separate pigeonholes. Sometimes the interaction is puzzling, sometimes it is creative."

Another Anglican scientist-priest who has been to Castelgandolfo is the Rev Dr John Polkinghorne, president of Queens' College, Cambridge. His views carry weight: he is a fellow of the Royal Society and was professor of mathematical physics at the university before his ordination 10 years ago.

He, too, sees a kinship between science and theology: their use of induction, of models and metaphors, their search for simplicity of hypothesis and unified theory. "But science is asking one sort

of question," he said, "and religion another. There are connections between the answers - there is an uneasy sort of puzzling boundary between the two. People say one is public, the other private. I don't think that's right - after all, ethics and ideas of beauty are common concepts. It's not expressing an opinion to say that torturing children is wrong. A lot of people in the science world are wistful fellow-travellers who fear that the answers of religion might be a kind of suicide."

As he takes off for Arizona to begin work in the Mount Graham observatory, Father Coyne is unabashed. "Any advance in science, correctly heard by the Church, is a help to the Church," he said. The Pope may have declared a truce with science but it could be a long time before the world is ready to believe in Rome's conversion.

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No. 00368 of 1993
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Company Court
IN THE MATTER OF COURT CAVALRY GROUP LIMITED

and
IN THE MATTER OF THE COMPANIES ACT 1985

Notice is hereby given that a Petition was on 18th January 1993 presented to His Majesty's High Court of Justice for the confirmation of the resolution of (1) the capital of the above named Company from £2,212,276.10 to £405,156.04 and (2) the share Premium Account of the Company by £4,653,941.

And Notice is further given that the said Petition is directed to be heard before Mr Registrar-Bankruptcy at The Royal Court of Justice, Strand, London, WC2A 2LL on Wednesday the 3rd day of February 1993.

And any Creditor or Shareholder of the said Company desiring to oppose the seeking of an Order for the confirmation of the said resolution of capital should appear at the time of the hearing in person or by Counsel for that purpose. A copy of the said Petition will be forwarded to any such person requiring the same by the undersigned indicating no payment of the specified charge for the same.

Dated the 21st day of January 1993
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PERSPECTIVES

Truth of the Matter

Muddling towards democracy

OF ALL the nations struggling toward democracy, few seem to have less natural aptitude for the task than Russia and South Africa. Neither is politically tolerant by nature: throughout history, both have proved themselves excellent autocrats, corrupt and terrible tyrants.

But now Moscow and Pretoria, bitterest enemies for decades, have become strange comrades in battle: faithfully, they fight the tide of culture and history to pursue a liberal democratic goal which seems to recede as often as it draws nearer.

Neither is likely to follow a straight path to democracy - if indeed, they ever get there. But both are committed to ruling by consent and not coercion, and a return to either totalitarianism or apartheid is out of the question. Both must therefore search for a more or less democratic form of government which can hold anarchy at bay while protecting the minimum of civil liberties.

So far the move to democracy has fostered chaos, crime and violence in both countries. Many already yearn for a strong man to restore order. In South Africa, a prominent mixed race politician complains (only half in jest) "I miss apartheid"; and most Russians would probably understand this nostalgia for authoritarian certainty.

But in the longer term, a betting man would probably conclude that Russia will stay the course to full democracy - however circuitous - and that South Africa will not. Both face formidable obstacles to democratisation, chief among them problems of ethnicity and economic hardship. But South Africa has a further overwhelming disadvantage: the rigid correlation between wealth and race decreed by apartheid.

For democracy is scarcely the obvious solution for a country where the majority is poor, black and impatient and the minority white, rich and powerful. Democracy invites the individual to use his vote to obtain a fairer share of wealth; but any government which indulges the urge to redistribute wealth will alienate white skills and capital, and jeopardise economic growth. Either way, the incumbent government would suffer at the ballot box - and would probably soon decide to dispense with democratic election.

As Alexis de Tocqueville pointed out more than 150 years ago: "When the people rule, they must

be rendered happy or they will overturn the state." But in South Africa, the "state" would not give up without a fight; a new government may well be tempted to impose its will - in the national interest, of course - rather than hand over to the opposition.

Not surprisingly, most South Africans reject this scenario: indeed, they find cheer in the midst of political upheaval by counting their considerable blessings in comparison with Russia. South African democrats will inherit intact the one most necessary condition for democracy: a market economy. That economy may have been damaged by 40 years of "African socialism", which used state capital to set up nationalised industries dominated by the "white tribe of Africa". But repairing its flaws is a small task compared with that facing Russia's economic reformers.

From nothing, they must create financial markets, draw up a detailed body of company law and construct all the institutional supports necessary to capitalism. South Africa inherits these things from the apartheid state;

and before the African National Congress decides to tamper with this inheritance, it should reflect on the ways in which capitalism underpins the democratic system which the ANC professes as its goal. In developed democracies, the private sector functions as an important check on the power of governmental authority; and the

Patti Waldmeir on the problems that face South Africa and Russia

market economy holds out the best hope of a prosperity which is essential to bolster democracy from below.

Paradoxically, South Africans will also inherit from apartheid - a most undemocratic ideology - the infrastructure of a thriving political democracy which Russia struggles so painfully to build. South Africa has political parties, independent courts, lobby groups

and all the paraphernalia of parliamentary democracy, which can surely be adapted for a multi-racial future. But in Russia the Communist Party, which invaded every aspect of personal and public life, has deeply discredited the very notion of "party"; indeed, there are few coherent party alternatives to President Boris Yeltsin, himself something of a one-man band.

Progress towards the establishment of an independent judiciary in Russia is perhaps more advanced: the new Constitutional Court represents a milestone on the path to democracy. But Russia has no tradition of challenging state power through the courts - certainly not under communism, when challenging party decisions was effectively forbidden - and it lacks the institutional depth (the courts, the judges, the independent lawyers) present in South Africa. Even in the worst days of apartheid abuse, South Africa's courts managed to preserve much of their independence.

But democracy requires more than political parties, elections and courts: a vigorous civil society

(everything from trades unions to churches, women's groups to chambers of commerce) is necessary to frustrate the would-be tyrant. Such civil infrastructure is well developed in both black and white South Africa - and almost non-existent in Russia. Organised business and labour in South Africa could counter-balance government power; civic associations in black townships could prove a further check on central government; and with three-quarters of the population actively religious, the churches will remain a major political force.

What is more, South Africa will inherit a state machine which actually works; in Russia, where party and state were practically indivisible, the collapse of the one has destroyed the other. No new South African government is likely to face the crisis of executive power which currently assails Moscow.

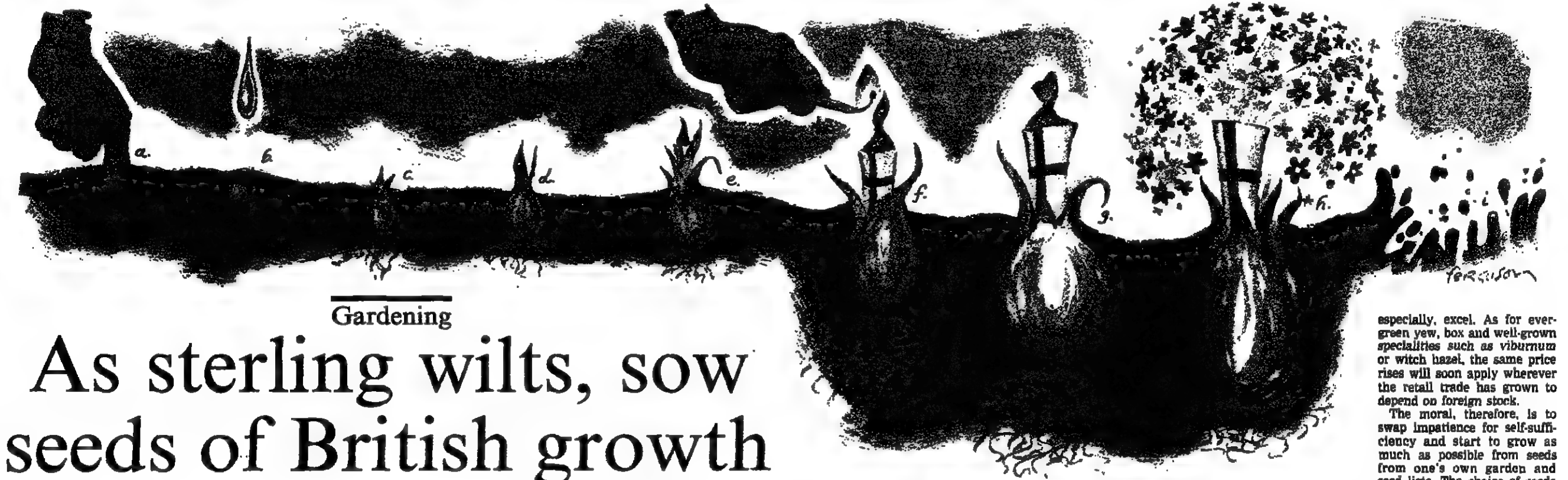
So that is the triple challenge facing Russia: to create a modern state, a modern market economy and democratic political institutions, and to do so simultaneously under conditions of great economic hardship.

But however daunting the immediate crisis, Russia will probably muddle through in the end to democracy and prosperity. And South Africa, whatever its early advantages, may not. Western democracies will continue to provide moral support to Russian democrats (however unreliable their financial backing), while South Africa will rapidly be left to itself on the remote tip of a forgotten continent. And over time, the gross inequalities of South African society could prove too much for a fledgling democracy.

Both face problems of ethnicity and economic deprivation which threaten democracy; but in South Africa, crucially, they are linked. While Russians struggle (more or less) equally to survive, race determines the degree of hardship experienced by each South African. As long as that is so palpably true, it is hard to see how democracy can take root.

But even if South Africa - perhaps Russia too - reverts temporarily to authoritarian rule, there can be no returning to the specific abominations of the past. Totalitarian communism and apartheid are ruled out forever. The future can scarcely be worse.

Patti Waldmeir's Paper, "Is Democracy achievable in Russia and/or South Africa?" is obtainable from the Center for Strategic and International Studies Suite 400, 1800K St NW Washington DC



Gardening

As sterling wilts, sow seeds of British growth

In a sudden leap, there are flowers again, a wonderful prelude to the unpredictable dance which the seasons now work for us all.

Last week, there seemed to be nothing; then, on Saturday, there were hundreds of crocuses wrapped like yellow pencils; on Sunday, there were anemones in churchyards and on Monday, snowdrops were spattering the ground once more.

We are a month ahead of schedule, while the last of the winter's roses are still waiting to leave the stage and their green leaves make a curious backdrop to a new year. After weeks of gloomy rain, these early visitors stand out like drops of sunshine.

They remind me that it is time for gardeners to get moving. Before they start, they will need little reminders that their art is never cheap.

Mirrored in our gardens' microcosm, all economic life is reflected. Once upon a time, we used to supply ourselves, grow our own plants and pay people to help us look after them.

Since the 1970s, the trade has changed as rapidly as anything in business life.

Consumers want different things: busy householders will pay for shops to display plants for immediate sale; garden centres have multiplied and keen, fresh stock has become the cult

The Belgian and Dutch plants which fill garden centres have shot up in price. Robin Lane Fox has a plan...

of the visiting public.

With their usual subtlety, sellers have traded on their two best human allies, impulse and impatience. Why wait for years when money can buy you a plant which already looks reassuringly bigger than other people's? If you like it, take it away in the car boot.

Here, technology has come to the rescue. In this new age of polythene, plants can be turned out of their plastic containers at almost any season: they can also be moved from

one country to another. At this point, the question of the economy and its prospects confront us all through a twist in our national idea of ourselves.

We all know the stereotype: British goods may be declining; the monarchy may be intercepted on the wrong frequency,

but at least we Brits know how to garden and our gardening is the envy of Europe. Tourist boards promote it; even the French have to admit that it is better than their; economists sometimes blame it for other sins.

I have sometimes been told by serious pundits that a reason why British industry is losing its competitive edge is that employees are more interested in their gardens and that the managers are waiting every day to get back to the roses or

the real business of life, so amply covered in the *Weekend FT*.

Nobody could dispute the art of our flower gardens at their best or the widespread love of gardening, planting and growing. However, I do think that the better examples are rather rare and that visually, much of our gardening (including bits of mine) is engagingly awful.

I do also notice how this national art is called "English gardening", as if nothing of any significance happened on the Celtic fringe. If I had to choose only one public garden in the kingdom, it would always be the Edinburgh Botanic Garden, but perhaps it is too Olympian to object to the English insult.

What does amuse me, and in future may alarm me, is that the backbone of the best garden centres, many of our nurseries and our garden landscaping is not actually grown in England or even in Britain. Dreamy English gardening is all very well in a summer's haze, but many of its greatest nurseries buy the plants for it

in the Netherlands and Belgium.

You can see why this piece of national double-think will soon have economic consequences. Personally, I will rely ever more on seeds. But the irony is not going to disappear quietly or without cost.

Of course there are plenty "people" all over Britain with their own cottage industry of lesser-known plants. Yet they cannot supply the trade with much of its better shrubs, hedging plants, bulbs and border plants because they do not specialise or grow to the right scale perhaps, or, to be charitable, have such a good European soil. Whenever you see a particularly big and seductive plant in the garden centre, it is highly likely to have been imported from a Dutchman or a Belgian who would not know how to pronounce Miss Jekyll's name.

This little irony prompts me to two conclusions, one of

which is analytic, the other is commonsense. Like machine tools, the plants for English-gardeners' gardens are now being imported en masse from abroad.

Many argue that Britain would have a bright economic future in heavy industry if only engineering was part of our daily culture. Those people ought to stop and consider the case of gardening. Gardening is agreed to be not just a cultural taste but a national obsession; nonetheless, our big traders and designers have to import a mass of its basic materials because their obsessive national cannot grow it for themselves.

My second conclusion is simply prudential. Now that so many retail sources are depending on plants from Europe, their cost is not exactly going to obey the chancellor's happy predictions while the currency is suffering from wilt. Flower bulbs have already made a nonsense of the retail index because most of them come in from the Netherlands and this season's summer lilies, hyacinths and gladioli have had surcharges of 15 per cent or more imposed on them.

Matters have not been helped by an awkward season in 1992 for many of the main-crop bulbs in which the Dutch,

especially, excel. As for evergreen yew, box and well-grown specialities such as viburnum or witch hazel, the same price rises will soon apply wherever the retail trade has grown to depend on foreign stock.

The moral, therefore, is to swap impatience for self-sufficiency and start to grow as much as possible from seeds from one's own garden and seed lists. The choice of seeds is one of the pleasures of late January and next week, I will be scanning for a short list. This year, however, it has an extra economic thrust.

I have already pre-booked my seeds of regale lilies, white galtonias and mixed agapanthus. I have opted for patience with the late-flowering lespedeza whose silky leaves and rose-purple flowers are such a blessing in autumn and I will be trying for half-hardy daturas from seed. Anything the Dutch can do I can surely do half as well: from a seed packet, you always raise more than you need, with a margin of error which allows even an Englishman without illusions to compete.

As They Say in Europe Talking dirty in six languages

ONE THING the papers shared this week was Clinton fatigue. In the United States, the inauguration of a president remains, as ever, the crossroads of history that lead to a new beginning and the quest for the rebirth of the American dream. Only *Paris-Normandie* had an interesting view of the new man in the White House: "It is as if Pontarlier town council were put in charge of France," Pontarlier is, incidentally, much nicer than Little Rock.

So, like the papers, I pursued last week's topic: unacceptable behaviour and, my special interest, cross-frontier variations in definitions of it. The research programme accidentally revealed that the British can deal easily with the wilder shores of human emotions and the French cannot.

In general, we were assumed to be able to deal with the raw truth. When the story broke in Australia, the English service of AFP gave it 1,000 words.

In French, however, it was compressed to under 200 words and the sole reference to the contents of the "presumed transcription" noted that the two "do not hide either their love or their reciprocal physical attraction".

And yet the French at home have few inhibitions. Political debate is larded with words that I would not transcribe even in asterisks. Comedy shows on television can consist of a stream of jokes that make the average British stand-up comic sound like Noel Coward.

Such material can also provide the basis for what passes for German humour yet it would be unacceptable in Spain or Britain. But these two countries themselves differ on what is acceptable. In my local paper, among advertisements for plumbers and electricians, is a column of notices detailing the facilities available for making, yes, telephone calls of a lubricious nature. Such items used to decorate Spanish papers but not since the phone

lines were closed last month in response to widespread public pressure.

Yet those same papers, often liberal and leftist, freely advertise the services of transvestite prostitutes, among others. Afternoon television programmes for children can be interspersed with items where young females progressively divest themselves of what do

James Morgan asks what offends the man on a London omnibus

seem to be rather uncomfortable garments.

National sensitivities involve not only the intimate side of life. The delicacy of the British struck me this week in a bus which had a sign saying, "We would prefer you not to eat or drink on this bus. However, if you do would you please take your litter with you." I spent some time working out how this would translate. German is not suitable for conveying moral uncertainty or the doctrine of the second best; the

nearest I got was *Essen und trinken verboten*. In French the warning is like something from a home for the incontinent elderly; in Italian, an invitation to steal the bus; in Russian, nobody sufficiently resourceful to possess the items involved would be fool enough to leave anything behind. And in Czech, the sign would be a trap to ensnare the man with a sandwich in an endless bureaucratic nightmare.

The same SA bus also saw the entrance of an inspector who treated even those without a ticket with some deference. This was a savage contrast with what I remember from my time in Vienna, where, in similar operations, two young toughs board a tram at opposite ends, the doors slamming tight shut behind them. They adopt the demeanour of those who have mastered the techniques of extracting confessions efficiently, open their denim jackets to expose heavy metal badges and shout *Kontrola*. Not surprisingly nobody is without a ticket.

The purpose of this digression is to set the scene for my favourite opinion poll which appeared again in the Vienna tabloid, *Kurier*, the other day.

The question was: "Which groups would you find objectionable as neighbours?" Top of the poll were Turks and Romanians; the least unpopular of the nine were Slovenes and Jews. (Discussion of the prevalence of anti-Semitism in this part of the world often fails to reflect the rich spectrum of prejudice that characterises Austrian society.) Commentators noted that there had been a steady fall in the level of hatred from the peak in 1988, the year newspapers demanded that "Waldheim must go" following revelations about his wartime past that he had preferred to conceal.

I have asked many questions about this poll over the years: is a list of "detestables" presented to respondents or can they supply their own? What ever happened to the Poles who once led the field but now get scarcely a mention? And, has anybody ever included the Vietnamese on the list?

But the question I suppose I am really asking is this: would *The Sun* publish the results of such a poll if it were conducted in Britain?

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TRAVEL FOCUS: AFRICA

On the trail of small game in the Gambia

"THERE, Roger. There! Oooooohh, Yeesss!"

I was sitting in a bright green and yellow six-wheeled truck with buffalo horns wired to the bonnet and rows of old cinema seats in the back, and beside me was a girl so excited she was almost dribbling in my ear. It was irritating. My name is not Roger. There are moments when I wonder why I like travel.

There were about a dozen of us in the truck, an old Swedish army vehicle that had seen more African miles than a truck deserves to. Currently it was in the service of a tour company that takes prawn-pink European tourists into the dusty countryside of southern Gambia and shows them the sights.

The excited squeaks and coos had begun early in the morning, before we had even left the strip of Atlantic coast where the tourist hotels range the beach. Roger was sitting on one side of the truck, Jane on the other. Both had binoculars to their eyes, cameras around their necks. Never had two more enthusiastic discoverers set foot in Africa. It took me some time to work out what it was they were discovering.

"Yaaaah!", Jane would let loose a barely restrained shriek, rocking the seat beside me. "It's a drongo!" But what was a drongo? I would gaze in the direction that Jane was training her binoculars, and try to imagine what one looked like. Was it the little ant-hill-looking thing off to the left? Or the spiky tree behind the ant-hill? Or maybe the little tin shack just behind the spiky tree? I could see nothing at all.

This inexplicable behaviour began to get on my nerves. It was some time after we had visited Uncle John's country palm wine bar, but a few minutes before being held up for sweets and pens at the Jambur primary school, that I borrowed a pair of binoculars from a fellow tourist and realised what Jane and Roger were getting so excited about.

Take a pair of binoculars outdoors in the Gambia - anywhere:



hotel gardens, the potholed streets of Serrekunda town, into the peanut fields or mangrove swamps along the Gambia River - and suddenly what can at times appear to be a miserably poor and tourist-ridden country is transformed into a series of vignettes of astonishing wealth and beauty. I arrived in the Gambia knowing and caring nothing about birds. When I left I was well on the way to becoming one of that most hopeless of species, the addicted birdwatcher.

The Gambia has had few fair shakes since it became a British slave-trading entrepot in the 18th century. An historical and geo-

graphical aberration, it is the result of commercial conflict between British and French colonial trading interests. While France, master of much of north and west Africa, laid effective claim to the huge territory of Senegal, the British were able to hang on to the Gambia River, the sluggish, mangrove-bordered waterway which flows through its heart.

The result, today, is a country which, while some 300 miles long, possesses land only 15-30 miles wide on either side of the river. With no hinterland, the Gambia's options are few. Ninety per cent of its meagre wealth comes from peanuts. Its population is one of

the densest, fastest expanding and poorest in Africa. Tourism is one of its brighter hopes. Just five hours' flight from London and with six months' guaranteed sunshine during the northern hemisphere winter, it is an increasingly popular package destination.

If the Gambia's history and geography have made it a place where North and South collide, its river has also incited a more gentle kind of meeting. One of the few waterways to flow through this vast semi-arid region of west Africa, the Gambia attracts millions of birds every year. Each dry season hundreds of species, most African, some European migrants, congregate on the country's riverbanks, beaches, mudflats, forests and grasslands.

Does an annual winter colloquium of birds sound slightly tedious? Perhaps. In England, it might. But this is no dull, grey-brown meeting of humble nut-hatches and self-effacing finches. This is Africa, and its penchant for flamboyance, oddity, excess and gaudy allure has been passed on to its feathered inhabitants. The birds of the Gambia are, quite simply,

outrageous, and make the country one of the premier birdwatching areas in the world. One early morning a few days after my south Gambia tour I set out with Lamin Sidibeh, a Gambian who at 29 is fast building a reputation as a professional bird guide. He

Nicholas Woodsworth watches drongos, coucals, bar-tailed godwits, malachite kingfishers and other flamboyant inhabitants of the land of 507 birds

is known far away in England to the BBC - the Bedfordshire Bird Club - two of whose members I had met walking goggle-eyed about the lush gardens of the Senegambia Hotel.

Hard-core birdwatchers have a habit of drifting away in mid-sentence, their eyes suddenly fixed on some object above your left shoulder, but I did manage to hold them long enough to find out that Lamin is one of the best in the business. Among old Africa hands it is com-

mon to find that an early interest in big game watching is replaced by a deep and long-lasting enthusiasm for birds. There is greater variety, often more technical skill and personal knowledge needed in spotting them, and a great deal less preparation and money involved.

To sight a white rhino requires a costly expedition into a game park. To spot the much smaller but equally spectacular malachite kingfisher - a brilliant jewel of a creature - you might only have to gaze up at a telephone line while ambling over to a restaurant for

bill into schools of little fish. From that point on, the morning was an unending succession of discoveries and surprises. In a spiky, harvested millet field, where peasant women were collecting stalks to feed their cattle, we came across a Senegal coucal with green tail, white breast, black head and red wings and eyes, scuttling through the stubble catching lizards.

In an irrigated rice field we watched a snowy white cattle egret wrestling with a frog almost too big to get down its narrow throat.

On a mud flat by a small estuary we watched a bar-tailed godwit, a bird with a beak almost as long as its body, poking around the mangrove roots catching fiddler crabs for breakfast.

I had passed the Fajara golf club any number of times without thinking much of it. Its fairways are yellowed, its greens brown. That morning it became an entrancing place: all you have to do is look up. There we saw a giant kingfisher, a full 18 inches long from beak to tail, flash by in a brilliant blue streak. Not far away, in that strangest of African trees, the baobab, we watched bright green long-tailed parakeets peck at the fruit that is used to make cream of tartar.

Standing by the hollow of a neem tree - West Africans use its leaves as a malaria remedy - Lamin whistled a scale of liquid, ascending notes; they were similarly answered from inside the hollow, and in a minute or two a pair-spotted owl emerged to blink sleepily at us. One of the aerial wonders we spotted up a tall palm tree was not a bird at all, but a palm wine tapper doing his morning rounds, shinnying up and down collecting gourds of sweet fermented sap.

I shall not go on. Suffice it to say that in one morning I saw 55 different kinds of birds, each new one as exciting and different as the last. I cannot decide which I like best, but I think I would plump for the tiny nectar-drinking sunbirds, impossibly bright creatures in yellow, scarlet and ruby.

I did not quite see the full range, though: there are said to be 507 species of birds in the Gambia. Even Lamin has seen only 378. But I have not given up. If, in the future, you come across a wild-eyed twitcher crouched in some distant palm grove muttering "Yeesss! It's a drongo!", it might be me.

Nicholas Woodsworth travelled c/o The Gambia Experience (tel: 0703-730888), a specialist tour company that offers return air fare from London and seven nights' accommodation with breakfast at the Kairaba Hotel for £449-554. Lamin Sidibeh can be contacted c/o Customs & Excise, Wellington St, Banjul, the Gambia (tel: 94832).

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North Luangwa now open

THE TRACKS were very fresh in the off-white talc of the dusty path - there was an African hunting dog not far ahead. We set off on foot, treading silently and hardly daring to breathe. We had barely reached the bend in the track which led through thick mopane scrub when the wild dog doubled back and met us face to face. We had walked into the middle of a hunt.

This was one of those chance encounters which turn an African safari from a holiday into an adventure. One way of maximising the chances of such encounters is to choose your destination carefully. With more areas opening up for visitors, opportunities are increasing.

Zambia's South Luangwa national park has long been noted for its walking safaris and its exciting night drives, while North Luangwa has only recently been opened to visitors, although on a limited scale. Zambia was one of the pioneers of walking safaris. They are generally well planned and full of interest.

Abercrombie & Kent, Worldwide

Journeys and Expeditions, Twickers World, and Art of Travel all go to Luangwa Valley, but of these only Art of Travel specifically includes North Luangwa. Expect to pay £1,855 and up for 14 days.

While the walks in Zambia take you from one fixed camp to another, Richard Bonham's walking expeditions into Tanzania's enormous Selous game reserve are more in the traditional safari mould. Strings of porters are used, and you sleep under the stars. Worldwide Journeys and Expeditions offers these safaris from £3,950.

The traditional theme is repeated elsewhere in Tanzania where Gibbs Farm Safaris takes clients into the vast grassy savanna of the Serengeti. Camping in luxury tents, you will not see another vehicle in sight of the open country. Nigel Perks, who runs GPS, has an uncanny knack of finding the most elusive of animals. These safaris can be booked through Art of Travel, while Twickers World has fly-in safaris to the Serengeti from £2,615 for 17 days.

A destination that has become much more accessible now that Air Namibia operates direct flights from Heathrow is

Namibia. With its good road network, this southern African country makes an excellent destination for a fly-drive tour. Etosha national park has plenty of elephant, black rhino and lion, and a stay at Okavango, with its floodlit water hole, is not to be missed.

One country to rejoin the safari scene recently is Uganda, which has gorillas. The borders of Zaire, Rwanda and Uganda meet in the volcanic massif which forms the last stronghold of the mountain gorilla. It is particularly good to see that gorilla-watching in Rwanda is possible again now, as the continued conservation of these primates depends so much on western visitors. Twickers World has a 23-day tour including visiting chimpanzees in Tanzania from £1,875, while Abercrombie & Kent has a four-day add-on to a standard safari for around £1,021.

Mana Pools national park on the banks of the Zambezi in Zimbabwe is not only excellent for walking but is one of the highlights of a canoe safari down the Zambezi, a leisurely way to see game, especially hippos and crocodiles, at quite close quarters. In turn, overland transport comes in

many forms. Abercrombie & Kent offers a traditional ox-wagon safari on the shores of Kenya's Lake Naivasha (two days, 1950 ex-Nairobi), or a camel safari in northern Kenya (three days, 2307 ex-Nairobi), while there is the opportunity to explore parts of the Kalahari desert in Botswana on all-terrain vehicles.

Botswana's Okavango delta, a rich mixture of glittering channels, clear lagoons, water-lilies and sandy, palm-tree islands, has never been easy to travel around. One way is to take an untried safari in traditional mokoros, dug-out canoes, which are poled through the placid waters of this enormous labyrinth of waterways by local guides, with an occasional walk on one of the thousands of islands.

Telephone numbers: Abercrombie & Kent, 071-730-7795; Art of Travel: 071-730-2038; British Airways Holidays: 0293-611611; Dragoman: 0728-561133; Explorer Worldwide: 0282-819445; Exodus Overseas: 081-678-7899; Gierbe Expeditions: 0373-836611; Southern Africa Travel: 0894-892488; Sunvil Holidays: 081-568-4499; Twickers World: 081-892-8164; Worldwide Journeys and Expeditions: 071-361-5638.

A mosaic in the grand style

"Tunis is a land of liberty," wrote the Chevalier d'Arvieux, a French diplomat, over three centuries ago. "Religion disturbs no one; they pray to God when they must, fast when they cannot do otherwise, drink wine when they have money, get drunk when they drink too much and no one finds any harm."

THESE words ring true today and explain as much as the sand and deep blue sea, why more than 2m Europeans travel to the only country in the world whose name is derived from a fish, tuna. The bulk of those who travel to Tunisia go on summer package tours. Others have discovered that off the beaten track, North Africa's smallest country has much to offer.

First of all it boasts splendid ancient ruins, the most dramatic of which are in Dougga, on the western uplands near the Algerian frontier, and a collection of Roman mosaics in the Bardo museum in Tunis which is second to none. For those interested in Muslim architecture, the fortified town and grand mosque of Qairwan, which dates from the 8th century, is but the most remarkable of many scattered around the country.

The Jewish faith boasts the oldest synagogue in Africa on the island of Jerba. Ulysses' fabled land of the lotus eaters. Every spring, a pilgrimage to the Ghibra synagogue attracts Jews from all over the world to a country where their presence, though much reduced today, spans nearly 3,000 years.

For their part, Christians can turn their thoughts to St Augustine, who delighted in the pleasures of Carthage before preaching a more austere creed as bishop of Hippo in what is now Algeria. On a warm summer night, Carthage still evokes a courteous past her prime but is still attractive. Neighbouring Libya is virtually closed to foreign visitors. This is the first country an ancient traveller from the east would have crossed on his way to the "Maghreb al Aqsa," or

"Western land of the setting sun" as people in the Middle East still call the maghreb. Yet, on the sea shore, the setting of the roman ruins at Lepidus Magna and Sabrata, both an hour's drive from the capital, Tripoli, are exceptional.

Before its present troubles, Algeria attracted maybe 200,000 foreign visitors, mostly headed for the Sahara desert. A quarter of a century ago, the country's leaders set their mind against developing tourism; as a result, Africa's second largest country boasts few decent hotels, most of the state-controlled ones being very run down.

Gone are the late 19th century days when guides were published in London called *Algeria, The Playground of the*

Camus to experience "the happy lassitude of a wedding day with the world." To Camus, the ruins of Tipaza were far more "modern" than many a modern city. This absolute and jasmine-scented paradise has, however, today fallen victim to the violence which has engulfed Algeria.

Morocco, for its part, boasts almost too many riches: skiing in the Atlas mountains; swimming in the pool of any number of very comfortable hotels in Marrakesh; trekking in the same mountains in late winter or spring through Berber villages which appear like Cubist paintings hung on steep rocks.

For those who prefer the sun and sea, Morocco's long Mediterranean and Atlantic coasts offer fun all year round. Resorts vary in tone, though Morocco does not greatly encourage package tours and a number of its hotels cater for the seriously rich. The Palais Jamai in Fes, one of the glories of Islam, the Mamounia in Marrakesh and the Minzah in Tangiers are in the grand tradition.

The variety and quality of Moroccan food, which is often sweet-sour, adds to any trip, a true feast providing a seemingly endless flow of dishes. Save for less than half a century as a French protectorate, Morocco has always been independent.

Morocco's glory is its Berber and Arab architecture. The 1,000-year old religious capital of Fes is dominated by the minarets of 100 mosques. Unfortunately, mosques and other religious buildings are not open to non-Muslims.

Beyond the red city of Marrakesh, from where in winter the visitor can gaze at the 13,000-ft summits of the Atlas 30 miles away, lie Taroudant, Tafraout and other old towns.

As the traveller descends to the plain from the frozen passes above, he realises he has landed at the gateway of the Sahara. The contrast is intoxicating, and never more than in late winter when the southern slopes of the Atlas are covered with almond trees in flower.

North Africa is a place of happy lassitude, says Francis Ghiles

Rich, and wealthy English families built what are to this day the most elegant houses in the Mustafa Superior residential area of the city.

Yet those who brave discomfort and explore the Tassili plateau, the mountains around Tamarrasset and the oasis of Timimoun and Tahrit, can discover something of the beauty and magic of the desert.

Waiting to be discovered are the strange petrified stone forest of the Tassili, with its thousands of dark silhouettes reminiscent of fur trees weighed down by snow which, on closer inspection, are sandstone needles, and thousands of prehistoric drawings scattered over 50,000 square miles.

The red needles of the Hoggar mountains near Tamarrasset are quite as unreal. For those interested in architecture there is the town of Ghadala, founded by the puritan Moslem sect of Sunni Islam which proved the great inspiration for Le Corbusier's art.

Nearer Algiers, the roman ruins of Tipaza enabled Albert

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PROPERTY

History and tradition in land of the commuter

SUSSEX was remote from civilised society until George IV, the Prince Regent, turned Brighton from a fishing village into a seaside resort centred on his pleasure dome, the Royal Pavilion. Then, with the advent of the railways in Victoria's reign, Sussex changed for ever. The county of woods and sticky clay, where travelling in a carriage was a nightmare and where blacksmiths and forge-masters worked the iron, burning the trees and damming the streams to make "hammer ponds", became a Home County.

Bankers and stockbrokers, and their clerks, moved out of London and set about creating wonderful gardens of rhododendrons and azaleas. A century ago, trains to town took the same time as today. The choice of stations was better. The Sussex they moved to had largely escaped 18th century gentrification - there are no Georgian stone stately piles.

Instead, wood, daub, and brick and tile are the basis of the Sussex vernacular, and near the South Downs, knapped flint also. The houses are distinctive - their frames are half-timbered, with a filling of daub, bricks or flint, with the upper part sheathed in vertical hanging tiles as a protection from the weather. Roofs are tiled and low, giving most Sussex houses the look of cottages. Inside are low,

head-hammering beams and brick floors and fireplaces, often wide enough to have an inglenook.

The affluent 19th century commuters hastened to enlarge their homes, or build new ones in the same style, as has continued to happen ever since. With their look hardly changed for 400 years, it can be hard today to spot the original bits in an 'old' Sussex house.

Gerald Cadogan explores Sussex, with its distinctive houses of half-timber and hung-tiles, its wealth of attractions - and a hot-line to the heart of London

As a result, they exude the reassurance of sharing in a living tradition. Sussex is a large county that divides into three parts. West Sussex, bordering on Hampshire, has the attractions of Chichester and its cathedral, theatre, and harbour, and the Roman palace at Fishbourne, racing at Goodwood, and a beautiful, unspoiled hinterland.

Mid-Sussex is the London-Brighton corridor along the M23/

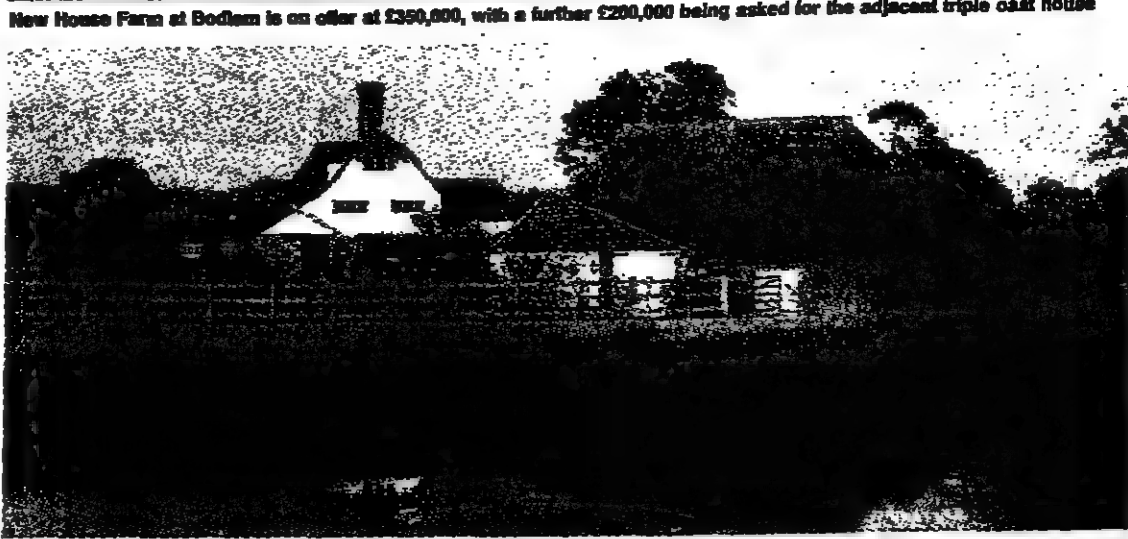
A23 (now being improved) and the railway line, with easy access to Gatwick. Glydebourne (closed for 1993) and the gardens at Wakehurst Place and Nymans. East Sussex flat-tens as it nears Kent and the Channel tunnel, and east houses (for hops) begin to appear.

A splendid example of a typical East Sussex house newly on the market is the 18th century New House Farm at Bodiam, (where the National Trust has a famous castle) and close to Battle, where William of Normandy conquered Harold in 1066. Brick and hung tiles mask its timber frame. Cluttons in Haywards Heath (0444-441166) are offering it at around £350,000, with the adjacent triple east house for around £200,000, and up to 320 acres of farmland.

More expensive and basically 18th century (when a family called Thatcher obtained the property at the dissolution of the monasteries), is Arches Manor at Framfield, near Uckfield and Lewes, with John D Wood (071-493-4106) and Batcheller & Thacker in Battle (0424-775777) at around £600,000. Nearby is the 17th century Buckham Hill Farm at Isfield, a house rich in oak and with an 18th century barn offered by Cluttons, at £575,000.

The Stable Cottage at Wadhurst near Tunbridge Wells, with a Victorian coach house that could be converted, is available at around £110,000 from Knight Frank & Rut-

New House Farm at Bodiam is on offer at £350,000, with a further £200,000 being asked for the adjacent triple east house



Buckham Hill Farm at Isfield is a 17th century house rich in oak, with an 18th century barn, at around £575,000

ley in Tunbridge Wells (0892-515035). Next door, Hamptons (071-293-6222) offer the big house, Best Beech Place, a 1920s Sussex-style oaken splendour with garden by Gertrude Jekyll, at around £350,000. For keen shots, Knight Frank & Rutley are selling Platts Farm at Burwash looking across to Rudyard Kipling's old house (Batemans) at around

£300,000, to include barns and out-buildings, 71 acres and two duck fighting ponds.

Oldcastle at Dallington near Battle is a house that grew over 300 years but did not change its Sussex style. Humberts in Lewes (0323-478828) will sell it to you with nine acres for about £295,000. Or they offer the attractive 17th century Oak Ferrars Farm at Piledown, with outbuildings and three acres for about £285,000.

An intriguing East Sussex conversion is the flint Place Barn at Wilmington, nestling under the Downs with views to the giant, chalk-cut Long Man of Wilmington, who stands on the slope holding a stave in either hand. The Barn (Humberts, around £275,000) won a Civic Trust award in 1982.

Another recent conversion is the Coach House at Halland near Lewes, a handsome brick building that has the merit of not being cottage-style. Watsons in Heathfield (0435-565077) offer it at around £320,000. The best Sussex-style house in East Sussex is called Toad

Hall: its name must be reflected in the price of £395,000 (from Fox in Haywards Heath, 0444-450105). It is an impressive Wealden hall that could have belonged to an ironmaster, dating back to the 15th century.

But finest of all is a manor house, early 17th century and listed Grade II*, built in stone by an ironmaster to show he was above the common Sussex cut, and on offer for only the third time in its history. Court Lodge at Ashburnham near Battle (Knight Frank & Rutley, under offer at around £450,000) comes with a Grade II barn and 48 acres, including 27 acres of vineyards which the vendor would like to rent back from the new owner for £175 an acre.

In mid-Sussex, a similarly grand manor, now a romantic ruin, is part of Brambley Manor Farm near East Grinstead. The total price for a typical Sussex house, ruins, 26 acres, swimming pool and tennis court is around £485,000, or £100,000 less excluding the farmyard (from John Powell in Forest Row, 0342-822261, or Savills in Sevenoaks, 0732-455511). Odder still, and dearer

at around £1.25m, is Laughon Manor near Lewes (from Hamptons in Mayfield, 0435-672294), a cream-stucco early Victorian villa with an Italianate belvedere tower that has popped up in the country from Belgrave Square or Regent's Park.

About half that price is a delightful house (from Fox), the Elizabethan East Maccalls in Lindfield near Haywards Heath, which a Cheshire family built with the ornamental half-timbering familiar in the north west. They must have brought their joiner down with them. Nearby Cockhaise Mill Farm is for those who want to run a business, as it comes with a thriving farm shop (with game licence, sausage licence, ice cream licence and liquor licence). Petfood is a new line and doing well. Humberts offer it at around £585,000.

Another neighbour is the many-bedroomed 16th/17th century manor called Tremans at Horsted Keynes, listed Grade II* (Humberts, around £550,000). Arthur Benson, librettist of *Land of Hope and Glory* called it "almost incredibly picturesque".

Top marks go to Michael Winter-Kaines, a retired British Airways captain who is marketing his Windmill Cottage at Rowhook, near Horsham, himself (0403-790513) at £330,000, provided there is no chain. Not wanting to pay agents' fees, he has produced an excellent, straightforward brochure for an attractive listed Grade II house and cottage and barn, and is amazed at how many people have replied to his advertisements and how nice they are. "They are delighted to deal directly," he says.

If you want to farm in mid-Sussex, the 625 acres of Little Denney Farm at Hursleypoint is virtually all the estate once belonging to the imposing Elizabethan manor house called Danny (now retirement housing with the Mutual Households Association). It is an attractive proposition: mixed farming, lovely country, parkland and lakes, in the lee of Wolstonbury Hill (National Trust) on the Downs, and yet no distance from Brighton. Being sold in lots by Humberts, the total asking price is around £1.3m.

Going west, Jackson-Stops in Midhurst (0730-812357) offer an essence of cottage Sussex in Old Hill at Lurgashall, near Petworth, three cottages and a mill run together for around £220,000. The garden is crammed with specimen plants. At Washington they are selling (with King & Chasemore in Pulborough, 0796-872061, at around £445,000) an 1820s old vicarage, a good late Georgian box of a house for those who do not thrill to the wealth of head-height old oak that is the hallmark of Sussex.



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SPORT AND MOTORING

Rugby Union

Why Irish eyes must look abroad

THE rugby was no laughing matter at Murrayfield last Saturday, not even if you were Scottish and celebrating a handsome 15-3 victory over the Irish in the opening game of the international championship. What did you think of it, Fergus Slattery was asked? "Murrayfield is a lovely stadium," said the distinguished former Irish international, deliberately elliptically. "It was very windy."

If Slattery was being polite, then it was in marked contrast to the newspaper reports of Ireland's 12th successive game without victory in the championship. "Miserable Ireland sink to a new low at Murrayfield" ran a headline in *The Sunday Independent*. The story beneath said: "You don't often sense misery at a major sporting occasion but it was present at Murrayfield yesterday. You only had to be Irish to feel it. For the ailing team touched a new low and emerged from a dull match the authors of nothing."

Mick Doyle, who was Ireland's coach when they won the Triple Crown in 1985 (and when they were whitewashed in the championship the following season) wrote in the same paper: "This was the worst ever [display] by an Irish side." I have news for him. I have seen worse Irish teams than this but I have never seen such a limp one. The traditional Irish fire was absent. They seemed browbeaten and uncertain of themselves, which are hardly Irish characteristics.

By Tuesday, feelings had quietened and the remarks of Moss Keane were all the more welcome for being so honest and low key. "Our flair for rugby has been curbed by our obsession to follow every one else," said Keane, another former international. "Doing the usual, as we say, had a more unsettling effect on the opposition. Where has the old fashioned footrush gone?"

Working on fitness is fine and essential but when you have players going out to play to a sterile, pre-ordained pattern foreign to their traditions then you are getting nowhere."

Rugby is of relatively little importance in the scheme of sports in Ireland, a comfortable fourth behind Gaelic football, hurling and soccer. Only an estimated 12,500 play rugby compared with 30 times as many in England, for example.

"We used to close the gap that existed between us and other countries in three ways," said Slattery. "First, we picked our best players. Then we were better organised, and thirdly we gave 100 per cent for 80

John Hopkins analyses the sorry state of the men in green

minutes. We are doing none of these now and we are showing our lack of resources."

The Irish always seemed to be larger than life – on and off the field. Seared into my memory and liver is the effect of a Sunday spent in the company of Keane during the 1977 Lions' tour of New Zealand. For Keane it was a day of rest, which meant that for everyone else it was anything but. No wonder he was nicknamed Rentastorm. He roamed the hotel press-gang players and journalists to join him for a drink. He came across me just before midday, as far as my memory goes, which is not very far, for obvious reasons. I escaped to my bed barely vertical and far from sober after a mere eight hours at the court of King Moss.

A few months later Keane was the host during a day in Dublin. The liver received a second battering but what sticks more clearly in the mind is his driving rather than his drinking. Cackling with laugh-

ter and dwarfing the tiny gear lever in his massive left hand, the Kerryman piloted his way around the fair city in a screech of tyres and a blur of brakes.

"Are you an ambler gambler," he roared again and again as he dived with the traffic lights. "I am."

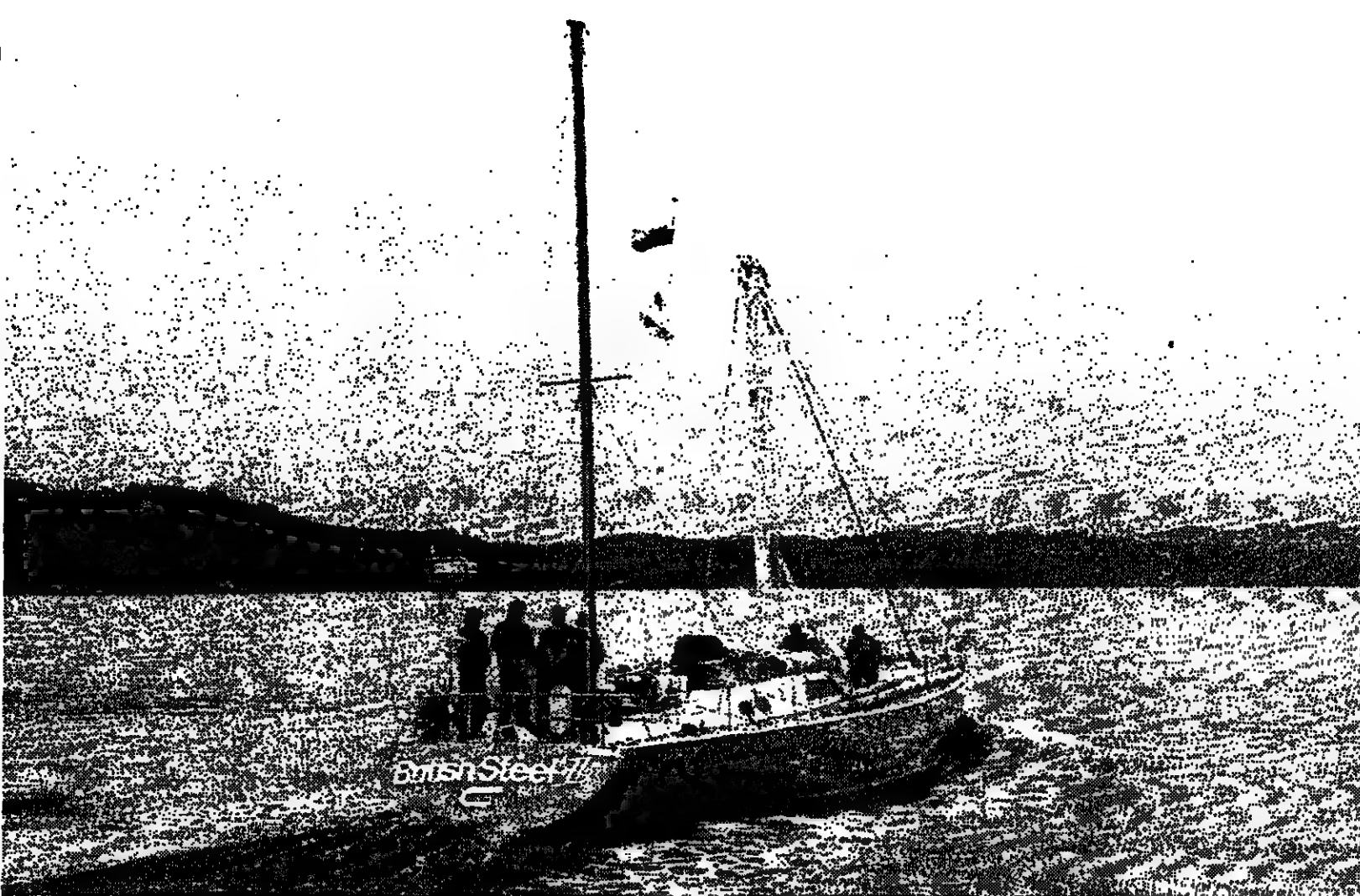
It was around men like Keane and Willie John McBride and Syd Millar, all of whom had voracious appetites for life and rugby, that Ireland built their pack in days gone by. Keane was once advised that the second row forward playing opposite him was soft and a punch would be a good manoeuvre. "At the first line-out I bopped him one," Keane recalled. "Then bash! He hit me straight back. I thought to myself, 'Bejabber, I hit the wrong man!'"

Men like Keane have disappeared – at least for the time being. "We used to have players in key positions who always did the right thing," said Noel Murphy, the Ireland manager. "We have not got men like this any more."

I have a solution. The IRFU should look at – I am sorry for mentioning this word, and I will wash my mouth with soap – but what they should look at is soccer in Ireland. Some years ago it was in as much disarray as rugby is now.

With the sort of ingenuity and disregard for convention that the Irish professional golfers showed by staging the Irish Masters in Portugal, the soccer authorities called in the best man to become team manager. Jack Charlton, an Englishman who lived in Northumberland.

Charlton revitalised the national team, taking them to the late stages of the World Cup finals in Italy in 1990. One possible candidate to revitalise the Irish rugby team is the brilliant French coach Pierre Villeneuve. He could be found a job teaching English or French in a school in Dublin. Are the Irish big enough to make such a break with their traditions?



The ultimate challenge: British Steel II Kips through the south Pacific with a broken mast

Yachting

Test of mettle for crew of Steel

CHAY Blyth was in ebullient form. It takes an experienced observer to distinguish between this mode and the normally effervescent Blyth, but it was thus. "Wow, isn't that fantastic," he shouted as a crudely ugly racing yacht docked beneath the green hills of Hobart, Tasmania.

British Steel II had her boom jury-rigged as a mast, and a second spar (borrowed from a much smaller yacht) in place as a mainmast. Aboard, her 14

crew looked much thinner than when they had left Rio on November 15. British Steel had been dismantled halfway between Cape Horn and New Zealand, 2,500 miles from land in the ice-berg-strewn wastes of the Southern Ocean. It is as far from land and outside assistance as it is possible to be.

Her voyage to rejoin the other nine yachts racing around the world in the British Steel Challenge, created by Blyth to give fare-paying amateurs a taste of world-class ocean sailing, has become a classic of ingenuity and guts.

Skipper Richard Tudor, 32, had already become renowned as probably the hardest-driving of the 10 professionals helming the 87ft steel yachts. After winning the training race around the Fastnet and the first Solent-Rio leg, Tudor's boat was favourite to take overall victory in the 28,000-mile epic which will call at Cape Town before finishing back in the Solent during late May.

"It's been such an unbelievable experience. The shock and fear and then teamwork to survive. I'm not sure that dismantling isn't more of an achievement than winning the race," said crew member Louise Broadbent of Leeds, as the battered yacht moored up.

Once safely alongside Constitution Wharf, where Tasmania's unfortunate convicts once landed, the stories began to emerge of the rough, freezing

night when the 90ft mast fractured just above deck level and toppled overboard – a month from the nearest land. A stainless steel bottlescrew, a component that has now failed on almost every other yacht in the fleet, disintegrated and left the spar without its main supporting wire.

"I thought we'd hit an iceberg," recalled Marcus Gledhill, who was in his bunk directly below the broken fit-

Keith Wheatley sees a dismayed yacht berth safely in Tasmania

ting when disaster struck. "The first noise of metal exploding woke me up, then came the banging of the mast against the hull."

"If the yacht had been made of anything except steel I'm sure the rig would have heaved through the side and sunk us." In the dark and confusion it took nearly an hour, using massive bolt-cutters, to cut the wires holding the damaged mast to the yacht and let it sink 7,000ft to the ocean floor.

After that came the realisation that from being leaders of the 28,000-mile race and favourites to win, British Steel II was effectively out of the hunt. "Some people were fairly

depressed in the aftermath," said Tudor, going on to explain the irony of the incident.

"At the time we weren't pushing the boat hard. We were nicely placed just behind the leader Nuclear Electric and there was no need. Had we been pushing I could have forgiven myself for the damage," said Tudor, a former professional sailmaker from Fivethill. His only similar accident was losing the mast of his Mirror dinghy when he was eight.

Although he is shrewd enough to conceal it, Tudor is bitterly disappointed that a design or manufacturing failure has dashed his hopes of glory. In a shed adjoining Constitution Wharf lie the masts from three other yachts, all seriously damaged from the same flaw in the overall rig.

Andrew Roberts, technical director for the race and virtual designer of everything aboard except the hulls themselves, is certain that metal fatigue caused the same component to fail on eight of the 10 yachts. Certainly there are some expensive hulls waiting to be appraised and insurance assessors, spar-makers and metallurgists can be found holding animated conversations in odd corners of Hobart.

Without the full mast and sails to balance the yacht, British Steel II began a wicked corkscrewing motion through the 40ft waves. "From that point we just thought about

survival, not racing," said crew member Yvonne Flatman, a trading standards officer in "civilian" life.

The ultra-competitive Tudor rejected the easier notion of running with the prevailing winds to Chile. He was determined to reach Hobart in time to participate in the final two legs of the race. British Steel II used its motor to reach Hobart, disqualifying itself from that leg and the race overall.

"We knew we were deep in iceberg country and we didn't have enough food or fuel to do anything except sail out of it. It was my decision to stay in the race and head for Tasmania," said Tudor. A spare mast has been flown out for British Steel II. The others are being repaired with new aluminium sections, some over half the length of the original spar.

"Of course I'm surprised at the damage we've suffered. I honestly thought the boats were built more substantially than that – if only because I'm responsible for the repair bills," said Blyth, who created and owns the race concept.

"But we've got them all here safely and that's a huge relief." Not least because next month Blyth is expected to announce plans for a successor race in even bigger yachts with more competitors. Against considerable scepticism he has proved that a taste for adventure and danger lurks within even the most deskbound of us.

Motoring

Ford gets it right first time

FORD REALLY has got its most important new model in years right first time.

Two weeks ago, I wrote here that if the Mondeo's on-road performance lived up to its paper promise, it ought to breathe new life into Ford. But I wondered out loud if, like quite a few new Fords in the past, it might have some aggravating drawback that would put me off.

It has not. I judged the left-hand drive 1.6, 1.8 and 2.0 litre Mondeo saloons and hatchbacks I tried in southern France last week well able to look rivals like the Vauxhall Cavalier (Opel Vectra), Nissan Primera, Toyota Corolla E and Peugeot 405 in the eye.

Owners or users of the veteran rear-wheel driven Sierra that Mondeo replaces may well find it so much better that they will feel it has moved up half a class.

As multi-valve engines go, those powering the Mondeo are good without being outstanding. One can say the same of the standard five-speed gearbox. But what makes Mondeo shine is the thoroughness with which Ford has tackled noise, vibration and harshness.

All the cars felt reassuringly solid and throughout two days of energetic driving were squeak and rattle free. I started with an entry-model 1.6 litre. At around 130 kph (81 mph) on the autobahn – all right, just a bit more – there was barely a whisper of

wind and tyre noise and only a soft hum from the engine.

Away from the autobahn's smooth tarmac the ride was supple, shock-absorbent and quiet (Mondeo is shorter than Sierra, but its wheelbase is longer and the track wider).

The medium low profile 65 series tyres did not roar on coarse surfaces, nor thump when hitting potholes. Four up

and with a boot full of luggage, it handled with elegance and ease. Power assistance, standard on all Mondeos, takes away steering effort but you still know what kind of surface the tyres are on.

The 90 horsepower 1.6 litre engine spins freely up to high revolutions in the gears but pulls smoothly in fifth from under 30 mph (50 kmh). The 1.8 litre, 115 horsepower Ghia I tried next felt much peppier.

The 1.8 and 2.0 litre Mondeos were enjoyable, even stimulating, to drive on the uncrowded D roads of the Var. There were times when I convinced myself the 2.0 litre could easily have been an Audi or BMW. But the 1.6 litre rode best; the least powerful, narrowest-tyred models always do.

Visibility is good over the short, down-sloped bonnet and the driving position is fine. The Ghia's soft leather seats with power adjustment could have come from a £20,000 car.

So does the Mondeo have no flaws at all? Not quite. A six-footer finds it difficult to be comfortable in the rear seat because head and legroom are meagre unless the person up front is short-legged. The overall gearing of the 2.0 litre models – only 30 mph/32 kmh per 1,000 rpm – is too low. Of course, it makes for great flexibility in town and vigorous acceleration in fourth or fifth – but who wants to cruise a 2.0 litre car on an autobahn at more than 4,000 rpm?

There is no rear-seat problem in the spacious Mondeo estate because the cushion is lower. I shall be surprised if the 2.0 litre cars do not go on sale with revised gearing.

Unquestionably, Mondeo is off to a good start. There will be signs of relief at Ford from March onward as it begins eroding the gains General Motors (Vauxhall and Opel), Rover and Peugeot have made at the ageing Sierra's expense.

The latest Escort has persuaded some Sierra buyers to trade down to a smaller but nicely furnished and more modern car of equal performance. Mondeo may do the same with Scorpio users.

Imagine a really posh model with the US designed and made 2.5 litre V6 engine, electronically-controlled automatic transmission and trac-

tion control system, leather trim and air conditioning. It would match or exceed Scorpio standards of luxury and performance without the bulk and it is coming before long.

So, too, are the four-wheel drive models, the turbo-charged and intercooled 1.8 diesels and the estate cars.

All we need to know are the prices, due for release just before the Mondeo's public debut at Geneva in March. If they are as keen as whispers suggest, Ford's recovery prospects will be brighter than seemed possible a few months ago.

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FASHION

Unsung rag trade heroes

ANYONE with more than a passing interest in fashion will know the identity of the British Designer of the Year. But the clothing exporter of the year? Who is that? Media and public interest is invariably design-led, yet high fashion designers turning over much more than £1m are the exception in the UK.

Clothing companies notching serious export success tend to be far less glamorous. Names from the heady realms of design, such as nostalgic Mulberry, menswear genius Paul Smith and cashmere leaders Pringle, have been winners but, more likely, are purveyors of men's duffle coats, inexpensive cotton separates or frilly children's wear. Yet these kind of companies are the main contributors to a total annual UK clothing export figure of more than £2bn. In spite of

Avril Groom on the back room stars of the UK fashion world

the recession, the figure is still increasing - albeit more slowly than in 1990.

Such unsung heroes of British fashion had their moment of glory this week, at the 1992 Apparel Export Awards. Organised by the British Knitting and Clothing Export Council, an industry-funded body which promotes clothing exports by helping firms exhibit abroad and linking them with potential agents and buyers, the awards, which I helped to judge, were presented at a gala dinner in London by the council's president, the Princess Royal, who, with her no-nonsense approach to glamour, is the perfect royal patron for this cause. Choosing eight winners from 74 nominees was serious business for a

judging panel drawn from journalism, industry and banking.

To be eligible, a company needed to have achieved continuing export growth over the past three years, if possible to have increased its workforce and to have a clear strategy for future growth. This was not easy last year and, several firms where exports grew quickly up until 1991, reported a slowdown.

Eventual winners varied from traditional outerwear firms to a glove-maker and a small-scale designer of upmarket cashmere with no formal training. Some have always pursued export markets while others have only recently altered their strategy, faced with a shrinking home market, to tackle them. Many are family-run and all share the conviction that, apart from the need for high-quality products efficiently delivered, successful exporting depends on personal contacts with, and visits to, the customers. The good designs displayed by this year's winners suggest that overseas buyers increasingly recognise that British fashion is not just about tradition but about innovative design that is also saleable.

We spotlight four of the winners: Ghost, womenswear winner, is recognised as a high-fashion leader, specialising in soft, flowing shapes made from piece-dyed, Italian-woven viscose crepe which gains its character from the shrinkage induced by the dyeing process. Innovative styling has recently given the label a high media profile. The spring collection was shown in neo-hippy, grunge style but individual pieces remain comfortably wearable.

London-based Ghost has increased its export sales over the past three years from £1.3m to almost £3m - they now account for 70 per cent of its total. The firm's founder and managing director, Tanya Sarna, oversees every aspect, creating the range with designer Andrea Sargeant, who lives in Italy, and a UK-based team.

Married in the 1970s to the singer Mike Sarna, Tanya says she learnt then to juggle limited amounts of money. With stylish commercial acumen she has increased the turnover from £250,000 in 1985 to about £2.75m. The US now accounts for one-third of total business, followed by Scandinavia. She says: "The secret is personalities - getting agents and customers who like and understand the clothes, which are very individual - and maintaining contact. We give an initial reply to any communication

within one day and we make on-time, complete deliveries."

Dents Gloves, accessories winner, has taken exporting seriously since the arrival of managing director John Roberts three years ago. The 200-year-old company had lost its way promotionally, in spite of high-quality products, and was suffering from a fall-off in the home market. Roberts redirected the company from contract work to export, investing heavily in high-quality brochures and packaging, taking a high profile abroad at trade exhibitions and producing design innovations such as bright silk linings to raise the fashion image.

The result has been an increase in exports from 14 per cent to 70 per cent of total sales. Italy, itself a byword for top-quality leather, provides the best market. Roberts is very critical of lack of government support for the industry. "Companies get help with their first few foreign shows but that is quite inadequate to build a new market which is very expensive for small companies," he says. "It's typical British short-term thinking." The support to which he refers comes from the Department of Trade and Industry and amounts to about 50 per cent of the cost of a 15 sq m exhibition stand at the exhibitor's first three appearances in any one country, or five in certain cases.

The lingerie section needs retelling as the winner - H G Porter and Co - is the first men's nightwear company to win in the awards' seven-year history. Chairman Arthur Porter, the

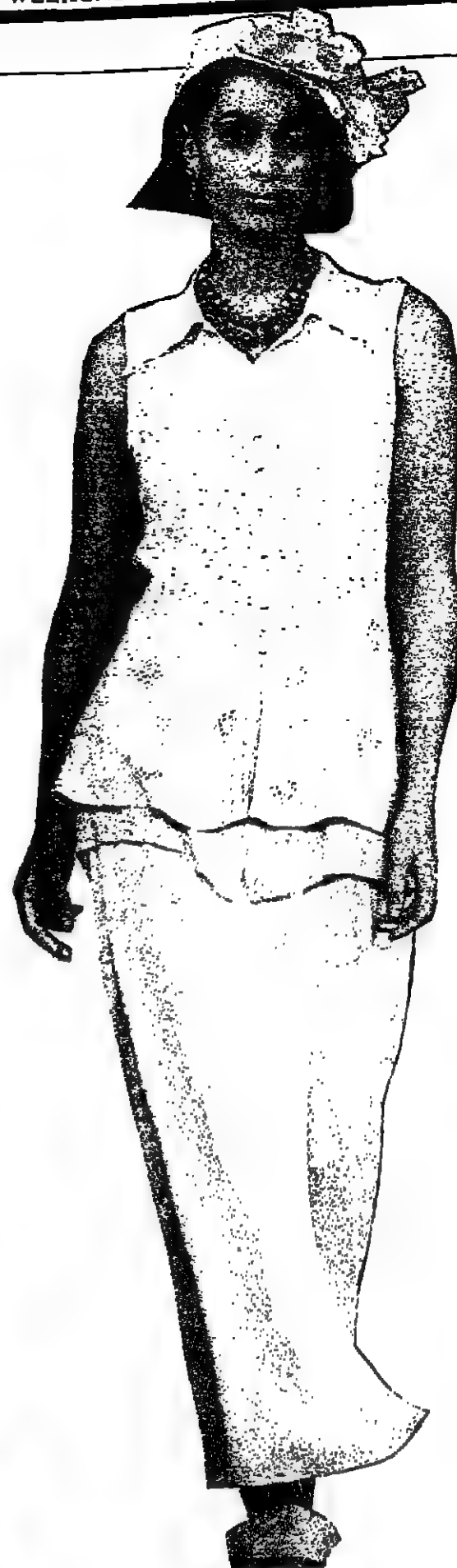
founder's grandson, has made a "concerted and strategic effort on export to Europe since 1988, preparing for the single market. Before that, our exporting was piecemeal, relying on chance personal contacts."

The Strabane-based firm was founded as a shirtmaker, going into nightwear through restructuring in 1985. "We had relatively little specialist competition so there was a niche," says Porter. "Since then I've become obsessed with pyjamas."

The results of extensive market research in Europe led to updating a traditional British look and seeing each country as a regional variant, not a different market. Exports have almost doubled in two years and he has taken on 30 extra employees. He credits his workforce, the BKCEC and the Northern Ireland Industrial Development Board.

Belinda Robertson wins the Natwest Award for small businesses with her £440,000 sales of which almost 90 per cent are exported. Her cashmere design firm started almost by accident when she modelled knitwear and thought the designs boring, sketched some ideas of her own and found she could sell them.

She moulds and drapes cashmere so it looks more like woven fabric, a style with upmarket success especially in the US. She says the secret is "all in the contacts - through them I show abroad privately, which is what top-level customers like." She also finds her Edinburgh base an advantage - "customers are delighted to visit because they can take in a little golf and tourism."



ABOVE: Flowing viscose crepe layers, 1993 neo-hippy style, by Ghost. Main stockists include: Whistles branches; Joanna's Tent, London SW3; Julie Fitzmaurice of Harrogate; and Kendals of Manchester. LEFT: Pure cotton nightwear, combining tradition and stylish design, from H G Porter and Co. Stockists include: Selfridges and Fenwick of Brent Cross; Rackhams and Kendals, both Manchester; Frasers of Edinburgh and Glasgow; and Switzers of Dublin.



LEFT: Sinuously draped cashmere from Belinda Robertson. She has a showroom in Edinburgh and a small mail order brochure. For inquiries call 031-225-1057. Prices from £25.



ABOVE RIGHT: Best of British leather from Dents. Stockists include: Selfridges, Harrods and Owen Owen.

Cookery/Philippa Davenport

Join a real jam session

THERE IS something irresistible about Seville oranges. The name of them, and the heady scent released when a finger nail is run across the skin, are as brilliant as summer sunshine, just the spirit-lifter needed to dispel the gloom of dark-dark January.

At this time of year, unlike high summer, the idea of holing up in the kitchen for a jam session is not unappealing. The cosy warmth is inviting and there is an undeniable glow of satisfaction to be gained from making your own preserves. What has become my standard marmalade recipe - one which is made with a little less sugar than traditional marmalade - is given below.

If time is short, it may make more sense to buy marmalade and to enjoy more immediate returns from the purchase of a few Seville oranges by turning them into a sharp and zesty pudding for Sunday lunch.

Wendy Brandon is an ace marmalade maker, from whom I am as happy to buy as to make my own. Her range is wide, using citrus fruits of all kinds and a variety of additional flavourings. They

include spiced lemon, orange with ginger, grapefruit and elderflower, satsuma, kumquat, orange with molasses and rum, pink grapefruit with campari, and lime with tequila.

Her marmalades come with a choice of sugar content (the traditional ratio, reduced sugar, and with no added sugar at all). They are stocked by a few select shops and can be bought by mail order: Wendy Brandon, Felin Wen, Boncath, Dyfed SA37 0JR. Tel: 0239-841568. Fax: 0239-841746.

Another commercial offering of which I am especially fond is Twinnings' "Earl Grey" marmalade. Although high in sugar, this is delectable, made with bergamot, that most aromatic of bitter fruit. Its zesty oil gives good-quality Earl Grey tea its characteristic fragrance.

It is a marmalade I will go a long way to buy, which is just as well, since it involves a pilgrimage to central London - it is available only to personal shoppers at Twinnings shop in the Strand, London WC2.

Nowhere near so distinctive but chunky, dark and good is Duer's extra thick-cut, traditional marmalade, which has the advantage of being stocked



by grocers and supermarkets countrywide.

REDUCED SUGAR MARMALADE

(makes enough to fill eight jars)

Organic fruit, or at any rate unsprayed, is desirable for marmalade-making and any other recipe that uses the zest or peel.

4 lb Seville oranges; four lemons; 6 lb granulated or preserving sugar.

Squeeze the juice from all the fruits into a preserving pan. Put the pipes and the membrane remaining in the citrus shells into a loosely-tied, butter muslin bag. Stir the peel coarsely or finely as you like it, and add it to the pan with the bag of pipes and 8 pt cold water.

Cook over very low heat for two to three hours until the peel is so tender that it can be squashed between finger and thumb, and the liquid has reduced by about half.

Remove the bag of pipes and membrane (squeeze it with a wooden spoon in a sieve so all the pectin-rich juices drip back into the pan) and discard it.

Add the sugar and stir over very low heat until it is fully dissolved, then cook at a rolling boil until setting point is reached - when a thermom-

eter will read 220°F (104°C). This usually takes 10 to 15 minutes.

Skim, let the marmalade stand for 10 minutes or so, then stir to distribute the peel evenly in the jelly, and pot in the usual way.

LITTLE SEVILLE PUDDINGS

(serves 6)

For those who want to enjoy the zesty scent and lovely taste of bitter oranges without the labour of marmalade-making, here is a good pudding for Sunday lunch. How many oranges you will need depends on their size and juiciness: six is a fair average.

8 fl oz freshly-squeezed Seville orange juice and several pinches of finely grated zest; 6 oz caster sugar; 3 oz softened butter; four large eggs; 2 oz flour; 8 fl oz milk; fromage fraise or whipped cream for serving.

Beat the butter and sugar with an electric whisk until creamy. Beat in the orange juice, gradually, then the egg yolks, one at a time. Do not worry if the mixture looks curdled. Beat in the flour, then the milk, adding it slowly.

Whisk the egg whites to snowy peaks and fold the Seville orange juice mixture into them, adding pinches of zest as you do so.

Ladle the mixture into six individual soufflé dishes which have been lightly buttered. Stand them in a roasting tin and add enough hot water to come halfway up the sides of the dishes.

Bake at 350°F-375°F (180°C-190°C) gas mark 4-5, for about 40 minutes until puffed up, coloured and softly set. The surface of the puddings will crack

as they cook and the mixture becomes light and spongy on top and creamy underneath.

Little Seville puddings are best to eat about 10 minutes after they come out of the oven. They sink a little as they cool, so dress them with dollops of fromage fraise or cream and a pinch of zest just before bringing them to table.

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HOW TO SPEND IT

Designs on your purse

ANYONE WHO wants to dispel mid-winter gloom after the January sales should head for London's Montpelier Street, where Bonhams is mounting its second Decorative Arts Today exhibition.

From January 23 to February 7, Bonhams is offering a rare opportunity to see under one roof the work of leading British designer-makers - no fewer than 140 of them this year. Most is for the home: furniture, lighting, rugs, wall-hangings, glass, ceramics, tableware, silver and beautifully bound books, but it also includes jewellery.

When Bonhams decided to sell exciting new work in this way last year, the gamble paid off. Paul Whitfield, deputy chairman, said: "First in at the door was the chairman of another leading London auction house - last out was Mick Jagger, who had bought 18 works." This year's exhibition

promises to be richer, bigger and even more diverse. As soon as work is sold, it is replaced by another piece by the same designer. All exhibits have been designed and made in the 1990s and, after last year's success, most of the designers have created work

Peta Levi takes a look from the inside at a sale of decorative arts

specifically for the exhibition. For instance, Senior Carmichael has made a backgammon table in American cherry, with a concealed playing surface and holding coloured sycamore stones and leather shakers and dice (\$3,500), and two matching chairs (\$385 each). Glen Hinton has made a hall table in carved wood, patinated copper and laminated glass (\$1,800), Martin

Grierson an elegant drop-leaf table in ripple sycamore with ebony stringing and six chairs (\$7,750), while Bob Crooks is showing his first glass chandelier (\$1,880) and Alan Calger Smith his one-off pieces - sadly the last chance to buy his new work in London, because his Aldermaston Pottery closes in May.

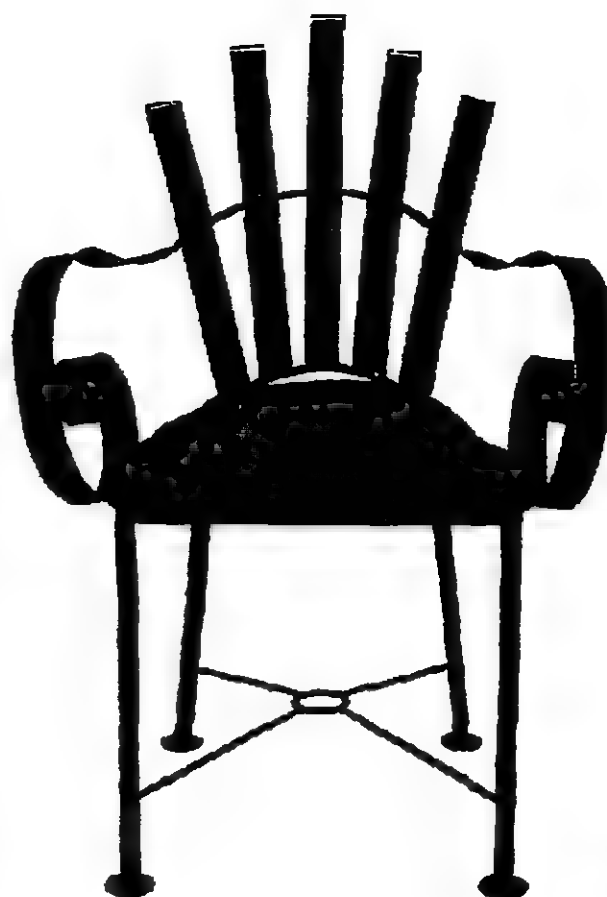
All the designers were encouraged to produce objects that are practical as well as decorative. Dining tables and chairs, coffee tables, mirrors, side tables, lamps, screens, candlesticks and coffee cups are among the objects featured. Architect Jack Schneider has designed a striking dressing table, in burl poplar and lacquered MDF, with a large, round bevelled mirror (\$3,560), while John Whittle has made an unusual bedroom wardrobe, incorporating blue ash veneer (\$1,000).

The exhibition sets out to show the wealth of design tal-

ent and craftsmanship in Britain today. It also illustrates the great diversity of styles. There is finely crafted wood-based furniture deriving from the Arts and Crafts Movement by designers such as Alan Peters, Ashley Cartwright, Jeremy Brown and Richard Williams; sculptural, minimalist furniture by Ron Arad, whose surprisingly comfortable steel chair has a flexible, woven, polished steel tug which rolls up to form a foot rest; Danny Lane's dramatic two-metre glass table with six legs; painted furniture by Tony Esseygh showing the Bloomsbury Group's influence; and more eclectic and flamboyant styles, from Regency-inspired metal work by Adrian Reynolds to a Baroque-influenced candlestick by Felicity Evans.

The price range is from £15 to more than £12,000. Collectors' items such as John Makepeace's library chair carved in burr elm with pivoted leather leathers for reading and writing (\$11,850), an exquisitely made treasure chest by Robert Ingham (\$2,100) and a delicate cloisonné enamelled egg box (\$1,360) by Maureen Edgar should not deter less well-heeled prospective buyers.

There are wooden bangles from £15 by Hayley Smith, fine, wooden bowls by Bert Marsh from £25 (turned wood is an increasingly accessible collectable for those of modest means

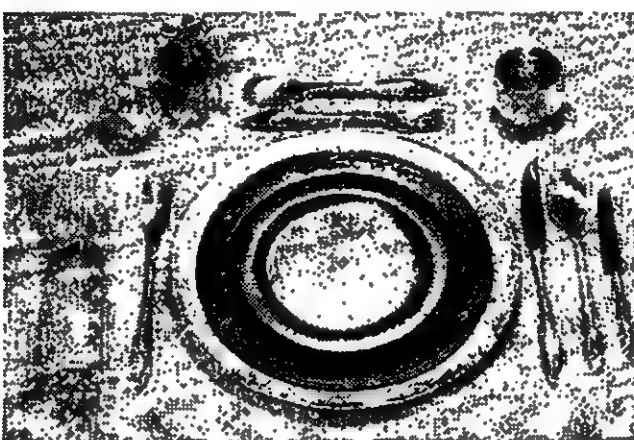


Above: Seating Egyptian-style. A painted hardwood chair by Vernon Gibberd, £380

Above left: Curving metal chair with scroll work back and scroll arms by Adrian Reynolds, £225



A treasure chest in burr elm and bog oak with sycamore trays and metalwork, £2,100 by Robert Ingham



A selection of tableware, all by Patricia Hamilton. Six-piece cutlery in sterling silver (£210) and brilliant cut crystal (£140) plate from £25

- a piece by another exhibitor. Steve Howlett, was recently bought for the Sainsbury Collection) and silver rings with bright artificial stones by Tina

Engell from £100. There are also hand-printed and painted cushions by Neil Bottle from £75, ties from £32, colourful anodised aluminium plates and bowls by Patricia Hamilton from £35, sensuous coloured jugs by Marianne Buus from £30 and ceramics from £40 by Chris Carter (the Sainsbury Collection has bought some of his work, too) and Sarah Perry (who was taught by Lucie Rie and Hans Coper).

The designers were asked to keep their prices low and many have produced some particularly good buys. Bev and Mark Houlding, who make fantastic painted and lacquered screens, have offered to make an edition of four screens, painted on one side only, for £2,000, half their usual price. Camilla Meddings, one of a number of young designers using old glazing and lacquering techniques in a contemporary manner, is exhibiting a mirror (£140)

which depicts Artemis and Apollo, using tarnished copper and gold leaf.

There is exceedingly good value in wall-hangings from established designers including Noel Dyrenforth, the leading contemporary British batik exponent (£350), and the much respected weaver, Peter Collingwood, whose linen and steel hanging costs only £220. Also, a Richard La Trobe Bate-man child's highchair in eleft ash is going for only £395!

Some reasonably priced bound books are being exhibited. Jan Lindsay produces bookbindings with blank pages so that you can create your own book; the bookbindings (£380), made from oak boards

with white goatskin thongs, are based on early 12th and 18th century manuscripts.

For anyone considering commissioning contemporary furniture in 1993, Decorative Arts Today provides an opportunity to compare the work of more than 60 furniture designers. Bonhams will happily make the introductions. Apart from the well-known names mentioned above, Fred Baier, Ronald Carter, Rupert Williamson, Toby Winteringham, Mark Brazier Jones and Tom Dixon are exhibiting, as well as many unknown recent graduates.

Peta Levi is curator of the Decorative Arts Today exhibition; weekdays 11am to 6pm; weekends 10am to 5pm.

FOOD AND DRINK

There's still lunch out there

Nicholas Lander considers the first responses to the FT's 'lunch for a fiver' scheme

ORGANISING the Weekend FT's Lunch for a Fiver has made me feel like a restaurateur again. Initially, I wondered if it been priced too low for restaurants to offer the right menu. Were there enough restaurants to satisfy demand? Was I, as one leading restaurateur wondered, sending out false signals about the financial state of the restaurant trade?

The initial reactions, reported last Saturday, were encouraging, but any concerns finally evaporated on Monday. A financial journalist from a rival newspaper phoned to say that she had returned satisfied, in the company of a former cabinet minister, from her £5 lunch at Frederick's, in London, N1. Her £5 menu had been excellent and served with the same attention to detail as the restaurant's normal lunchtime menu at three times the price.

A neighbour, finance director of a large public company, told me that

he was taking advantage of the scheme to take a number of his staff out for a £5 lunch as a thank you gift. Other restaurants have also reported a marked increase in the number of larger bookings as a result of the lower unit price being offered.

Martin Lam at Ransome's Dock, London, SW11, said that on Monday lunch he had served 34 customers compared with an average of 20 on Mondays and that the per capita spend had been £18. On Tuesday he served 64 customers - this surprised him since the restaurant can only seat 50.

The Brasserie at the Café Royal in Regent Street, London, W1, was

fully booked on Monday, a day when usually, according to general manager David Panth, it is never more than half full. Its menu was a model of what a creative chef such as Herbert Berger can do for £5. A salad of mussels and baby clams with coriander pesto and balsamic vinegar was followed by braised lamb shank with garlic confit and root vegetables. They had to turn customers away the following day and are busy converting tables normally used for pre-lunch drinks into dining tables to satisfy demand.

One of the reasons for the success of "Lunch for a Fiver" has been its simplicity. All you have to do is choose your restaurant, phone to

make a booking specifying that you are coming for the FT menu - two courses for £5 - and arrive on time. Remember it applies to weekdays only and finishes on Friday January 23.

A number of restaurants are already full for the whole period but there is always the possibility of a cancellation. And, like any sale bargain, a little patient hunting will make the eventual prize more satisfying. Try to be a bit flexible with your timing - eating closer to 12 than 1pm - and you may stand a better chance of a table.

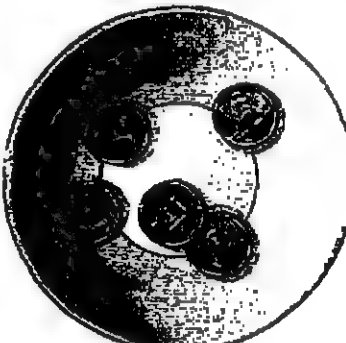
Attention all wine collectors. It is rare enough to have the chance to

taste the Bordeaux first growths together, particularly from such a glamorous and highly priced vintage as 1982. But, at an exceptionally luxurious event planned for Wednesday, February 3 at the Savoy Hotel in London, the pre-dinner tasting will include not just this line-up but six Corton-Charlemagne and six de luxe champagnes. Suitable palate sharpening for the dinner and accompanying wines as sumptuous as Chx Léoville-Barton 1985 and Pichon-Lalande 1982. There is a catch, but if wine collectors were honest with themselves and their cellars, it is probably a relatively small one. Tickets cost a donation of a case of

wine worth at least £250, to be auctioned by Sotheby's on April 21 in aid of the Tommy's Campaign for research into fetal health. More information from Susie Roberts on 071-400-2954.

The Gulf is not the most obvious place in the world to learn about wine, but the Wine and Spirit Education Trust, has been running courses out there this month for Incheape Middle East.

The WSET (tel: 071-236-3551) is the official body for formal wine trade education, but there are many other approaches to liquid evening classes to choose from, even in London. The Wine School of Fulham



(071-736-7009) has an array of excellent, non-stodgy speakers, Christie's South Kensington (071-581-3633) has some marvellous classic wines, while Wineville in Islington (071-254-9734) offers a useful balance between the two. Many of the livelier wine merchants offer one-off tastings too, notably Winecellars of Wandsworth (081-871-2666) and La Vigneronne of South Ken (071-486-6112).

WHERE TO GET LUNCH FOR A FIVER

Lunchtimes Monday January 18 until Friday January 29

Adelaide, 79 Upper St Giles Street, Norwich	Tel: 0603 833522	Drones, 1 Post Street, London SW1	Tel: 071 235 9638	Pierre Victoire, 52 Coburg Street, Edinburgh	Tel: 031 555 6178
Al San Vincenzo, 30 Connaught Street, London W2 2AF	Tel: 071 262 9023	Florians, 4 Topfield Parade, Mickle Lane, London N8 9RP	Tel: 081 348 8348	Pizzicato, 34 Rupert Street, London W1	Tel: 071 734 0122
Alcibiades Little Bar, 49 Frith Street, London W1V 5TE	Tel: 071 734 5183	Fredericks, 106 Camden Passage, Islington, London N1	Tel: 071 359 2888	Pomegranates, 94 Grosvenor Road, London SW1B 3LF	Tel: 071 828 8560
Anchor, 34 Park Street, London SE1	Tel: 071 407 1577	Frederick Bucklebury, Queen Victoria Street, London EC4	Tel: 071 248 0095	Restaurant and Art Bar, 76 Wigmore Street, Jacobs Court, London W1	Tel: 071 224 2992
Angel, 101 Bernersday Wall East, Rotherhithe, London SE16	Tel: 071 237 3608	Gilbert's, 2 Exhibition Road, London SW7	Tel: 071 589 8947	RJ, 13a Coin Street, London SE1	Tel: 071 928 4554
Arnyell, 316 Kings Road, London SW3 5UH	Tel: 071 437 0025	Graham's Seafood, 38 Poland Street, London W1	Tel: 071 437 0975	Roudz Britannia, 14 Finsbury Square, London EC2	Tel: 071 256 6997
Armadillo, 20-22 Mathew Street, Liverpool	Tel: 061 236 4123	Grell St Quennin, 2 Yeomans Row, London SW3	Tel: 071 581 8377	Scarlot 10a The Broadway, London SW1	Tel: 071 222 3338
Au Jardin des Gourmets, 5 Greek Street, London W1	Tel: 071 437 1816	Hilaire, 68 Old Brompton Road, London SW7 3LR	Tel: 071 584 8993	Sheekey's, 28-32 St. Martins Court, London WC2	Tel: 071 240 2585
Bahn Thai, 21a Frith Street, London W1	Tel: 071 437 8504	182, 192 Kensington Park Road, London, W11	Tel: 071 229 0482	Simpson's-in-the-Strand, 100 The Strand, London WC2	Tel: 071 836 9112
Baltic, 4 Wood Lane, London W12	Tel: 071 621 1331	182, 112 Cheyne Walk, London SW10	Tel: 071 352 7334	Sloans, 27-29 Chad Square, Hawthorne Road, Edgaston, Birmingham	Tel: 021 455 6897
Beauchamps, 23/25 Leadenhall Market, London EC3	Tel: 071 267 0718	Isleford 10 Lime Street, London EC3	Tel: 071 623 3816	Smiths Restaurant, 25 Neal Street, London WC2	Tel: 071 379 0310
Belgo, 72 Chalk Farm Road, London NW1	Tel: 071 734 4545	King's Head, Irvinghoe, Leighton Buzzard, Bedfordshire	Tel: 0296 66264	Smollen's Ballroom, 1 Dover Street, London W1	Tel: 071 481 1199
Bistro Brune, 63 Frith Street, London W1	Tel: 071 581 5866	L'Accente, 16 Garway Road, London W2 4RH	Tel: 071 243 2201	Smollen's on the Strand, 105 The Strand, London WC2	Tel: 071 497 2101
Bistro 186, 189 Queen's Gate, London SW7 7LP	Tel: 071 727 5432	L'Altro, 210 Kensington Park Road, London W11 1NR	Tel: 071 792 1066	Snow's on the Green, 168 Shepherds Bush Green, London W6 7PB	Tel: 071 803 2142
Boys', 135 Kensington Church Street, London W8 0BQ	Tel: 061 748 0107	La Belle Epoque, 61-63 Dublin Road, Belfast	Tel: 0232 323244	Sony's, 3 Carlton Street, Hockley, Nottingham	Tel: 0602 473041
Brackenbury, 129-131 Brackenbury Road, London W10	Tel: 081 968 5828	La Brasserie, 60-61 St Mary Street, Cardiff	Tel: 0222 372164	Sony's, 94 Church Road, London SW13	Tel: 081 748 0593
Brasserie du Marche, 349 Portobello Road, London W10	Tel: 0832 343232	La Rive Gauche, 61 The Cut, London SE1	Tel: 071 828 8845	Stephen Bull Bistro, 71 St. John Street, London EC1	Tel: 071 490 1750
Brasserie Forty Four, 44 The Calls, Leeds	Tel: 071 435 3606	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	The Café Royal, (Brasserie) 68 Regent Street, London W1	Tel: 071 437 9090
Café des Arts, 82 Hampstead High Street, London NW3	Tel: 061 940 6296	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	The Lindsay House, 21 Romilly Street, London W1	Tel: 071 439 0450
Café Flo, 149 Kew Road, Richmond, Surrey	Tel: 071 371 9673	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	The Marsh Goose, High Street, Moreton-in-Marsh, Gloucestershire	Tel: 0608 521111
Café Flo, 676 Fulham Road, London SW6	Tel: 071 226 7916	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	The Vintners Rooms, 87 Giles Street, Leith, Edinburgh	Tel: 031 554 6767
Café Flo, 334 Upper Street, Islington, London N1	Tel: 071 727 6142	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	The Uniquitous Chip, 12 Ashton Lane, Glasgow	Tel: 041 334 5007
Café Flo, 127-9 Kensington Church Street, London W8	Tel: 071 435 6744	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Turner's, 87-89 Walton Street, London SW3	Tel: 071 584 4511
Café Flo, 205 Haverstock Hill, London NW3 4QG	Tel: 071 856 6289	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Turner's, 87-89 Walton Street, London SW3	Tel: 071 584 4511
Café Flo, 51 St. Martins Lane, London WC2	Tel: 071 636 1599	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Tutton 17-20 Kendall Street, London W2	Tel: 071 223 4637
Café Italian, 19 Charlotte Street, London W1	Tel: 071 378 0097	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Wheeler's Dock, 35 Park Gate Road, London SW11	Tel: 071 223 1511
Café Rouge, The Pizzeria, Hays Galleria, Tooley Street, London SE1	Tel: 081 332 2423	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Riva, 169 Church Road, London SW13 9HR	Tel: 081 748 0434
Café Rouge, 7a Petersham Road, Richmond, Surrey	Tel: 081 944 5131	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	The Red Fort, 77 Dean Street, London W1	Tel: 071 437 2525
Café Rouge, 26 High Street, Wimbledon, London	Tel: 081 944 5131	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Tuttons Brasserie, 11-12 Russell Street, London WC2	Tel: 071 836 4141
Café Rouge, 390 Kings Road, London SW3	Tel: 071 938 4200	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Venlon's, 3 Horeford Road, London W2	Tel: 071 229 5079
Café Rouge, 2 Lancer Square, Kensington Church Street, London W8	Tel: 071 221 1508	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Villandry Dining Rooms, 89 Marylebone High Street, London W1	Tel: 071 487 3616
Café Rouge, Unit 209 Whiteleys Centre, Baywater Rd, London SW15 2NA	Tel: 081 788 4257	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Waltons, 121 Walton Street, London SW3 2HP	Tel: 071 584 0204
Café Rouge, 200/204 Putney Bridge Road, London SW15 5NA	Tel: 071 487 4847	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Wheeler's, 1-4 South Molton Street, London W1	Tel: 071 629 2471
Café Rouge, 46/48 James Street, London W3	Tel: 071 371 7600	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Wheeler's, 20 Dover Street, London W1	Tel: 071 629 5417
Café Rouge, 655 Fulham Road, London SW6	Tel: 081 342 8797	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Wheeler's, Alcock, 17 Kensington High Street, London W8	Tel: 071 937 1443
Café Rouge, 6-7 South Grove, Highgate, London NW3	Tel: 071 433 3404	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Wheeler's, 125 Chancery Lane, London W2	Tel: 071 404 6071
Café Rouge, 19 High Street, Hampstead, London W11	Tel: 071 221 4449	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Wheeler's, 19-21 Great Tower Street, London EC3	Tel: 071 404 6071
Café Rouge, 31, Kensington Park Road, London W10	Tel: 081 960 8732	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Wheeler's, 9-13 Fenchurch Buildings, Fenchurch Street, London EC2	Tel: 071 488 4848
Canal Brasserie, 222 Kensal Road, London W14 0AS	Tel: 071 632 4082	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Wheeler's, 33 Foster Lane, London EC2	Tel: 071 606 8254
Chinon, 25 Richmond Way, London W14 8EZ	Tel: 071 371 6271	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Wheeler's, 12a Duke Street, London W1	Tel: 071 930 2460
Cibo, 3 Russell Gardens, London W14 8EZ	Tel: 071 352 2718	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Wheeler's, 19 Old Compton Street, London W1	Tel: 071 437 2706
Dan's, 119 Sydney Street, London SW3	Tel: 071 267 7322	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Willoughby's, 25 Penton Street, N1	Tel: 071 833 1380
Daphne, 83 Bayham Street, London NW1 0AG	Tel: 071 734 8300	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Young Bin Kwan Korean Restaurant, 3 St Alphage High Walk, London EC2	Tel: 071 638 9151
de'l'Ugo, (Ground Floor) 56 Frith Street, London W1V 5TA	Tel: 071 488 9932	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621	Zoe, 3-5 Barrat Street, London W1	Tel: 071 224 2122
Dickens Inn, St Katherine's Way, London E1	Tel: 081 780 0581	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621		
Del Buongiorno, 263 Putney Bridge Road, London SW15	Tel: 081 780 0581	La Truffe Noire, 29 Tooley Street, London SE1	Tel: 071 378 0621		

BOOKS

Experiment to lyricism

IN THE 60 years between 1870 and 1930 there emerged a remarkable number of poets in the US. About one, T.S. Eliot, there can be no doubt as to his international reputation. Ezra Pound's significance, too, is without question despite his less appealing persona. Robert Frost's poetry was received with acclaim in Britain long before he was recognised in his own country.

But there were others, less well understood outside the US, who are also of considerable importance. Wallace Stevens and William Carlos Williams are of this number. Then there were Edwin Arlington Robinson, Carl Sandburg, Robinson Jeffers, Marianne Moore, John Crowe Ransom and Hart Crane. Of this latter group the most provocative was the son of a New England Congregational minister. His name was Edward Estlin Cummings and he was born in 1894 in Cambridge, Massachusetts.

Cummings had been publishing poems since his early 20s but he did not become widely known until the appearance of

Cummings abandoned such extreme modernist experiments and developed a new and more intimate form of lyricism seen at its best in "this little bride & groom" and the powerful and moving "my father moved through dooms of love".

One of the most striking things about him is his defiant individuality in an age of conformity - his readiness to attack what he saw to be the ills of society ("a salesman is an it that stinks Excuse", "a politician is an arse upon which everyone has sat except a man"). In Cummings's introduction to the *Collected Poems* of 1938 he said "The poems to come are for you and for me and are not for most people". But to be uncivilly disobedient like a bohemian Thoreau is one thing. What about the calibre of Cummings's verse?

R.P. Blackmur counted "flower" 48 times in *Tulips and Chimneys*, concluding tartly that for Cummings the word must contain "an almost unlimited variety and extent of meaning". Any attempt to evaluate Cummings's contribution to poetry must therefore take into account the fact that he does not always exploit the fullest resources of the English language. Like Henry Miller in prose he was outrageous, shocking - sticking out his tongue at what H.L. Mencken called the "booboisie". On the other hand it cannot be denied that life leaps from his best poems.

Cummings is least successful when he is being self-consciously hard-boiled, as in "Poem, or Beauty Hurts Mr Vinal" or "she being Brand-new". He is far better in his ironic comments on war like "my sweet old ecotera" and "plato told him" and in his ability to catch the flavour of low-life speech, as in "ygu-Duh". But he is best of all in such tender and unsentimental lyrics as "the little horse is new" or "Simplicity has its virtues and although Cummings's poems might seem a little contrived today, there is a freshness about them which makes the reader return again and again with a sense of delight.

George J. Firmage has revised, corrected and expanded the *Complete Poems* of 1973 using the original manuscripts and getting the typography right. He has also added poems from Cummings's Harvard years and from the *Dial* Papers, and his translations of Horace. It is all here, and although one cannot say with one's hand on one's heart that it adds a great deal to our perception of Cummings's quality as a poet, it certainly does not detract from it.

Geoffrey Moore has revised, corrected and expanded the *Complete Poems* of 1973 using the original manuscripts and getting the typography right. He has also added poems from Cummings's Harvard years and from the *Dial* Papers, and his translations of Horace. It is all here, and although one cannot say with one's hand on one's heart that it adds a great deal to our perception of Cummings's quality as a poet, it certainly does not detract from it.

Geoffrey Moore

Stylish thoughts

COULD die reading Joan Didion. It would be the perfect way to go - slipping effortlessly into the deep, dark spiral of the long goodbyes while gorging on the unimpeachable sentences with which Joan Didion constructs her narratives.

Consider the perfection of this short passage: "I was 10 years old when 'the atomic age' as we called it then, came forcibly to the world's attention. At the time the verbs favoured for use with 'the atomic age' were 'dawned' or 'ushered in', both of which implied an upward trend to events. I recall being told that the device which ended World War II was 'the size of a lemon' (this was not true) and that the University of California had helped build it (this was true)."

In the opinion of her publisher, *Sentimental Journeys* is Joan Didion's "latest foray into the ailing American psyche", a world of disconnectedness that Didion lacerates with the "severe, crystalline beauty" of her prose.

What the publisher does not emphasise is that most of the essays here are warmed-up potatoes: they appeared first in magazines. Nevertheless, not everyone is a devoted reader of *The New York Review of Books* or *The New Yorker*, let alone *New West*, so the publisher is performing a service.

The collection does not start well. Its opening section is entitled "Washington" and contains an essay largely about Nancy Reagan - "Her social skills, like those of many women trained in the insular life of the motion picture community, were strikingly undeveloped" - that is strikingly second-hand, as well as substandard. But then the focus moves to California, where Didion is more at home. Curiously, even this section opens with a dud, *Girl of the Golden*

West, which is about Patty Hearst and is that most unusual thing: a completely useless piece of writing. Then things take off. *Los Angeles Days* is an essay about the five-month 1968 Writers Guild of America strike against the Hollywood studios. *Fire Season* about... the California fire season; and *Sentimental Journeys* (by now we have moved to New York) about the gang-rage of a white middle-class jogger in Central Park in April 1989. All three show Didion at her best: as reporter, as interpreter and as stylist.

SENTIMENTAL JOURNEYS by Joan Didion
HarperCollins £15, 319 pages

The style is crucial. There are better, more industrious reporters than Didion, and her insights are sometimes highly odd. Quite often, I suspect, we are not gaining a privileged view of the hidden springs of American culture, business or politics, but a privileged view of the inside of Joan Didion's head, where billions of exotic chemical connections bearing no relation to reality are completed every second.

But so what? Cosmologists are now tending to the view that there is an infinite number of universes, popping into, and out of, existence all the time. Where Joan Didion came from, no one can imagine, where she is going must be extraordinarily weird. How I wish I could follow her.

Flamingo is reissuing Joan Didion's *Slouching Towards Bethlehem* and *The White Album* in paperback at £8.99 each.

Michael Thompson-Noel



A detail from François Boucher's 'The Triumph of Venus', from 'Painting and Sculpture in France, 1700-1789' by Michael Levey (Yale £40). YUP took over the Pelican History of Art series from Penguin last year. This classic 1972 study of 18th-century French art is the first Pelican volume to be re-issued by Yale but it has been substantially revised and expanded by Sir Michael.

In the beginning...

NEITHER the New Ageist title nor the mawkish cover illustration does this book justice. Within, it is a feast. Absorbing and elegantly written, it tells of the origins of life on earth, describes its variety and character, and culminates in a discussion of human nature and the complex traces of humankind's evolutionary past - hence the "shadows" of the title. This is fascinating science gracefully conveyed. The exposition is leisurely, literate and witty, sometimes self-indulgent but always pleasingly so. It is an amazing story masterfully told - easily the best popular introduction to ethology and evolutionary biology now available.

The story begins at the beginning: with the turbulent mass of dust and gas which spawned the sun and its planets, and prompted the frightening early history of earth. Thereafter the tale unfolds more circumstantially. Its proper commencement lies with the stromatolites, single-celled organisms living in colonies, whose fossils date back three and a half billion years. From these most ancient of creatures life's perilous history stems.

To recount that history Sagan and Druyan have to explain genetics and evolutionary theory. They do it with exemplary lucidity. Thus arthropods, give dazzling accounts of insects, snakes, apes, humans, and much besides, aiming to give us a sense of humanity's place in the evolutionary scheme by exhibiting the enormous variety and curiosity of life and the connections which unify its story. "We achieve some measure of adulthood," the authors write, "when we recognise our parents as they really were, without sentimentalising or mythologising, but

also without blaming them unfairly for our imperfections." When with similar dispassion we understand something of our evolutionary inheritance - our biological parentage - we come of age as a species.

Every page yields nuggets. The kind of lesson to be learned from biological understanding is well illustrated by the following juxtaposition of facts. Humans find it convenient to geld male domestic animals. "One or two skilled motions of the blade or a deft bite by a reindeer-herding Lapp woman - and the testosterone

SHADOWS OF FORGOTTEN ANCESTORS by Carl Sagan and Ann Druyan
Random Century £17.99, 305 pages

one levels are down to manageable proportions", the authors remark. Only a few males are left intact for breeding purposes. In the wild, when one male is defeated by another in a mating contest - and this applies to creatures as different as snakes and apes - the conquered male's testosterone levels decline steeply and he slinks away. One major effect, as with domestic animals, is that trouble is kept within bounds.

Parallels must be treated cautiously. Humans and chimpanzees share 99.6 per cent of their active genes, inherited from a common ancestor. By any standards this is close kinship. But the differences - outstandingly, language and what language makes possible - are more obvious than the similarities. Still, as the authors show in four fascinating chapters on monkeys and apes, both the parallels and

differences are highly instructive. One female chimp, taught to sort pictures of humans and non-humans into different categories, placed pictures of chimps in the "human" file.

The authors venture some controversial sallies. Sagan is famous for arguing that there must be life elsewhere in the universe. Here he and Druyan make an analogous suggestion: that consciousness might be a more pervasive feature of terrestrial life than most thinkers allow. Even insects, they muse, could have a measure of awareness beyond the merely reflexive. The naturalist Jakob von Uexküll wrote, "When the dog runs, the dog moves its legs. When the sea urchin runs, the legs move the sea urchin."

But Sagan and Druyan are not so sure. After describing the astounding engineering skills of the spider, they remark, "she spins her web now. She reaps the reward later, perhaps much later. Does she know what she's waiting for? Does she dream of succulent moths and foolish mayflies? Or does she wait with her mind a blank?" Such innocuous-seeming questions prompt others that are among philosophy's deepest.

Analogy presents the authors with their most dangerous temptation. Parallels between animal and human characteristics can enlighten remarkably, but also mislead. Yet although they sometimes tread close to the edge, Sagan and Druyan are alert to the risks, and indeed end the book by warning against them. One is left with a strong sense that what underlies their remarkably skilful and accessible account is high scientific competence. It is this which makes their book so good.

A.C. Grayling

A fighter come late to greatness

Gillian Tindall considers a new biography of Clemenceau

DEATH, says a French proverb, turns a life into a destiny, imposing definition on a stretch of time which might, at earlier stages, have looked amorphous. With some public figures, however, it is not death itself but a late break, a sudden call to arms or power in old age, that gives a long and varied life its permanent shape. So with Georges Clemenceau.

Born in 1841 under France's last king, he was raised as a disciple of Pascal, Michelet and Comte; he became mayor of Montmartre during the Franco-Prussian War and the Commune. A "man of Victor Hugo", he subsequently kept the flame of moderate Republicanism going through the vicissitudes of the Second Empire and the chequered Republic that followed it, battling with the likes of Boulanger on the one hand and Ferry and Jaurès on the other and raising an early and decent voice in favour of Dreyfus.

More than once during these decades his career seemed to himself and others all but over - "I am unrecognised in my home, betrayed by my friends, dropped by my party, ignored by my electors, suspected by my country... creditors bang on my door... I have nothing, nothing".

He was almost 73 at the outbreak of the 1914-18 war, and 76 by the time supreme command passed to him. Poincaré, a long-term jealous colleague and now demoted rival, added to his existing accusations of obstinacy, swashbuckle and "incurable light-mindedness" the charge that Clemenceau was increasingly deaf, portly and incapable of reasoning.

Yet it was in Clemenceau's grey-gloved hands (he had begun to suffer from nervous eczema) that near-defeat was turned into victory and the peace that many of the French would have sought earlier on almost any terms became an Armistice imposed by France and her allies. The old man had at last become the "tiger" - as in the lean title of this overweight work. The sharpest image left to the world is of the hunched, mustachioed cardinal vore crouched between Lloyd George and Woodrow Wilson in the treaty hall at Versailles, standing as ever for justice, unwittingly doing his bit to set the scene for another war in which he would act as a model for another fighter-come-late-to-greatness: Winston Churchill.

Of course this odd-shaped life poses problems for the biographer. Gregor Dallas has had to accompany his subject a long way before finally reaching, if not the heart of the tiger, at any rate the heart of the story. At times he loses himself in whole thickets of carefully scrutinised trees while giving his reader little indication of the overall shape of the wood.

When at long last he sweeps out onto the devastated uplands of the First World War battlefields, the panoramic view is impressive. But just because he knows the way himself, he fails to erect adequate signposts along the route. Although the book's comprehensive and sometimes overtly instructive style suggests that it is intended for the general reader, Dallas again

and again omits pieces of basic information that are in fact necessary to the proper understanding of all this detail.

The events of 1870-71 are described with a wealth of descriptive energy as befits a key period in Clemenceau's life - but if you did not know already about the Prussian assault, why the Commune supervened and what it represented, you would be in a complete fog as to what was really going on. And although Dallas quotes Clemenceau's famous put-down after Boulanger shot himself in 1891 on the grave of his mistress ("Il est mort comme il a vécu, en sous-lieutenant") there is, almost unbelievably, no mention of Boulanger's revanchist doctrine on Alsace-Lorraine and thus no adequate discussion of the war scares of 1886 and '87. Similarly, when we reach the

AT THE HEART OF A TIGER: CLEMENCEAU AND HIS WORLD 1841-1929

by Gregor Dallas
Macmillan £25, 598 pages

moment of Jaurès' assassination in 1914 only days before the outbreak of war, no mention has at that point been made of Sarajevo or of "the German menace" at all.

More minor, but more irritating because more specific, is Dallas's failure to tell us, when dealing with Zola's *J'accuse* article, that *L'Aurore* was Clemenceau's own paper. Indeed he has a circumlocutory, novelist-like way of creeping up to his favourite moments and then pouncing on them, which does not make for coherence.

I do not want to sound ungrateful. I have learnt a good deal from this book, whose cognitive scope extends from the dawn of the Revolution to the Fall of Pétain and Laval, and will keep it by me. Like Braudel, who is clearly his master though oddly unacknowledged, Dallas is at his best when describing events in the context of their settings. His earlier work deals with the peasantry of the Loire (Clemenceau's native land); to accompany him there, or to northern mines of Zola's *Germinal*, or to the forest that now covers the destroyed villages near Verdun, is a treat. Perhaps, for his next work, he will choose a topic more rooted in one place and era and so really expand his gifts.



Georges Clemenceau: final victory

Fiction/Lucasta Miller

Relentless introspections

hatred for George, by now a successful politician. After half a century of separation, they are reunited in a final, fatal confrontation.

Joan Brady's novel is in part an act of personal catharsis - an attempt to exorcise the emotional scars transmitted down the generations. But it also universalises the individual's story into a symbolic parable of human cruelty and its effects. If the novelist's artistry sometimes gets in the way of the raw experiences she describes, *Theory of War* still achieves a genuine tragic weightiness.

Gregor von Rezzori's *The Orient-Express* is another novel about reclaiming the past. Its unnamed narrator, born into the pre-war cultural elite of central Europe, has been an American capitalist since the 1940s. At 65, afflicted by a delayed bout of adolescent

THEORY OF WAR by Joan Brady
Andre Deutsch £14.99, 208 pages

THE ORIENT-EXPRESS by Gregor von Rezzori
Chatto & Windus £13.99, 208 pages

COSMO COSMOLINO by Helen Garner
Bloomsbury £13.99, 221 pages



Helen Garner: honesty of prose

angst, he decides to revisit the scenes of his real adolescence and take a trip on the newly refurbished Orient-Express.

In what follows, the external journey is soon subordinated to an interior monologue which unfolds like a slow motion dream sequence. Fragments of memory appear and dissolve - and it is up to the reader to piece together the facts of the narrator's life.

ban; his student obsession, fed by an overdose of Nietzsche, with suicide. Central to his present *emul* is an inability to forge emotional relationships with women. His thoughts return again and again to his alienated marriage and to his empty encounters with prostitutes.

Cultural schizophrenic and nostalgia victim, von Rezzori's narrator is suffering from serious depression. At times his sanity seems under pressure. But though his states of mind are minutely recorded, he is too introverted to invite empathy.

After all this relentless introspection, Helen Garner's ability to present characters actually relating to one another is something of a relief. Her world is low-key and domestic. But *Cosmo Cosmolino* - which contains two short stories in addition to the title novella -

is witty, individual and stylistically mature.

Garner's characters were young in the 1970s, caught up in the fashionable utopianism of the time. But the communes have long since dispersed, and looking back, you have to decide whether the intervening years represent a growing up or a loss of innocence.

The two short stories deal with death. In *Recording Angel*, a man contracts a brain tumour and we witness the effects on his wife and best friend. In *A Vigil*, a virtual suicide is followed by a belated crematorium scene. But *Cosmo Cosmolino* itself is a story of rebirth, in which Janet's buried existence is given a jolt by the arrival of two lodgers, aimless Raymond and Maxine with her batty New Age ecstasies.

Garner has an impressive ability to infect imaginative life into mundane objects, and to focus on an individual character or situation without generalising. Her choice of words is always eloquently precise. And it is the honesty of her prose style, rather than any particular gift for storytelling, which stands out.

BOOKS/ARTS

CAN YOU trust a photograph? Do you believe that the camera never lies? Or is a photograph the most dangerous medium of all, apparently a straightforward image but one in fact selected and determined by the photographer's frame of cultural reference, and, as it is reproduced, consciously or unconsciously encouraging a social or ideological stance? Two exceptional new books on the history of photography address this question from different, but equally fascinating, backgrounds. *Anthropology and Photography* traces the creation and use of photographs in early British anthropology, and is worth buying purely for its abundant 19th century photographs of Fijian cannibals, Hiawatha-style chiefs, Congo dancers and the rest.

But its point is our changing evaluation of these photographs, which at the time were seen as objective documentation of inferior, exotic races but now demonstrate the prejudice and cultural conditioning of the age. So a soft-focus Samoan woman from the 1890s, her naked breasts garlanded with flowers, is a classic western male erotic fantasy not worlds away from Sarah Bernhardt on stage. South Sea Islands youths with limed blond hair and huge earrings are captioned "dandies". Saddest are six Bakwa pygmies, kidnapped in central Africa, exhibited "live" at the Hippodrome with 17 polar bears and some Scottish dancers, and so famous that they were invited to the House of Commons. The photograph of them dressed in children's sailor suits taking tea on the terrace with MPs is a giveaway of the 1900s anthropological belief that "primitives" were in the "childhood of mankind" stage. "What did they think of the greatest Legislature in the world? What did they think of the greatest nation in the world?" asked the photographer Benjamin Stone.

It is through such anecdotes, or case studies, that this book builds up a cumulative picture of the worldview that made colonial domination possible. In the Andaman Islands, an officer fascinated by "jungle" ("wayward but attractive children") took stereotyped photos like "Andamanese Shooting, Dancing, Sleeping and Greeting". They were sent home decorated - for example bunches of grass were scratched on to the plate of a naked chief and



Daughter of a census officer with a group of Onges in Little Andaman, 1911 from 'Anthropology & Photography'

Dangerous shots

his wife, both smoking pipes. Symbolic emasculation, but the photos helped the army learn more about the Andamanese, and its policy of subjugation worked: a final photo shows a dance celebrating Edward VII as Emperor of India.

The interpretation of photographs in this book also tells anthropology's own story, from its start as an unreflective, patronising study of "primitive" people to a self-conscious discipline examining meaning in any society. Several decades on, *W. Eugene Smith and the Photographic Essay* is an account of the camera as political and social advocate, seen through the work of *Life* magazine's most famous photographer. Eugene Smith took shots for the human interest photo-essays that made *Life* a mass circulation, high-quality magazine. But he was also an absolutist and a driven man, formed by the Depression, when his bankrupt father killed himself, and by the moralism of his Catholic convert mother.

As a war photographer, he switched from warmonger (he wrote home about a knife "good for Japs, underbrush or steak") to pacifist whose photos were so unrelenting about the human cost of war that the Pentagon censored

them. At *Life*, as photo-essays like "Country Doctor" and "Spanish Village" show, he had a mission precisely of his time: to portray and improve life for the ordinary poor through a new type of intimate, immediate picture which showed

ANTHROPOLOGY AND PHOTOGRAPHY 1860-1920
edited by Elizabeth Edwards
Yale £19.95, 273 pages

W. EUGENE SMITH AND THE PHOTOGRAPHIC ESSAY
by Glenn G. Williamson
Cambridge £35, 351 pages

everyday people working, eating, getting ill, giving birth.

But did he really photograph "Everyman"? With careful choice of specific photo-essays, from choice of topic through research to the selection of strongly interpretative images from a 2,000-negative contact sheet. The result was benign propaganda, finding the "perfect" American example: the young and photogenic country doctor, his stoop, look, gesture implying exactly the mix of hard work, poverty, committed satisfaction; the

Main Street, Anytown, setting which must also be picturesque (Kramling beneath the Rocky Mountains was chosen). For Smith, the triumph was to portray a secular saint; for *Life*, to tell a human story with a topical health care angle; for "America", *Life's* Russian translation, to advertise, by cropping and centering and magnifying, the great American dream.

Gradually Smith's political mission clashed with *Life's* - in "Spanish Village" he wanted to stop US aid for Franco and he resigned, had breakdowns, died at 59 with \$18 in the bank. But anyone interested in the social outlook that saw the rise and fall of "Everyman" magazines like *Life* and *Picture Post*, and in the history of photographic journalism and how newspapers manipulate material, will enjoy this account of his life and work.

As Smith realised, the visual image is becoming our dominant mode of communication. But one reason it is so powerful is that most of us don't have the visual grammar to respond to it in the sophisticated way with which we dissect and interpret words. Both these elegant volumes are compelling and topical attempts to change that.

Jackie Wallschlager

Why short is beautiful

Clement Crisp states his case for the triple bill

BALLETIC triple bills have not been popular with audiences for 20 years and more. The tradition has grown up among Western ballet-goers - and it is one entirely owed to the Royal Ballet's example in performing 19th century classics, and then finding in Ashton, Cranko, MacMillan, Bintley, choreographers able to extend the full-evening creation - that a "real" evening at the ballet means a long dramatic work, involving all the resources of a company.

This nonsensical view has been accepted by ballet companies world-wide, driven by the box-office imperative. Major troupes trot out variously tiresome versions of the old war-horses, buy in evening-long works from other companies, and the public flocks. Smaller ensembles sell titles rather than ballets to their audience, and with little conscience offer shrunken and shoddy productions under familiar names. (I report, with unwavering gaze, that there is a version of *Nutcracker* currently on view in Europe which also involves elements from *A Christmas Carol*.)

The triple bill, which once offered a range of balletic experience, a variety of dancing, a choice of choreography, a happy display of dancers' artistry in varied roles, flourishes only with New York City Ballet, where Balanchine's genius was expended in making a treasury of short pieces that remain the supreme example of classical ballet in our century. Elsewhere, box-office receipts will tell a tale of failing attendance for evenings comprising three contrasting works, no matter how great their merits. Prohibitive seat-prices mean that audiences will go for what they think are the big, safe, cast-iron productions. If it's swans, it must be good, is their motto. And, as these columns never tire of saying, the reverse is true.

The Royal Ballet has, with a bravery every ballet-goer must commend, made a serious effort in recent years to wean its public off swans and Veronese lovers through intelligent (usually) triple bills. Much of the history and artistic achievement of ballet in our century is to be found in such works. The current Covent Garden programme of *Apollo*, *Judas Tree*, *Symphony in C* is a fine one - it will be on view twice next week - and it is in the main very well danced. (I record that, after the fashion of the one-time Nureyev circuses, advertisements announce that "Irek Mukhamedov will dance at every performance".)

Certainly Mukhamedov's presence - in either *Apollo* or *Judas Tree* - is reason enough to go. Both ballets gain in significance from his artistry. On Thursday, he was replaced as the Foreman in *Judas Tree* by Zoltan Solymosi. Solymosi's interpretation lacks the fervour that drives Mukhamedov's reaction - it misses, as yet, something in emotional and dynamic ferocity - but it is a worthy account of the role. The revelation of the performance was Leanne Benjamin's appearance as the woman, a characterisation of extraordinary sexual and technical pungency. Each pose and provocative movement, the shifts between belligerent slutishness and invulnerable dignity, were superbly understood

and stated: the ballet seemed to be about the woman as victim - and ultimate victor - rather than about betrayal. It was a beautiful and piercingly credible impersonation.

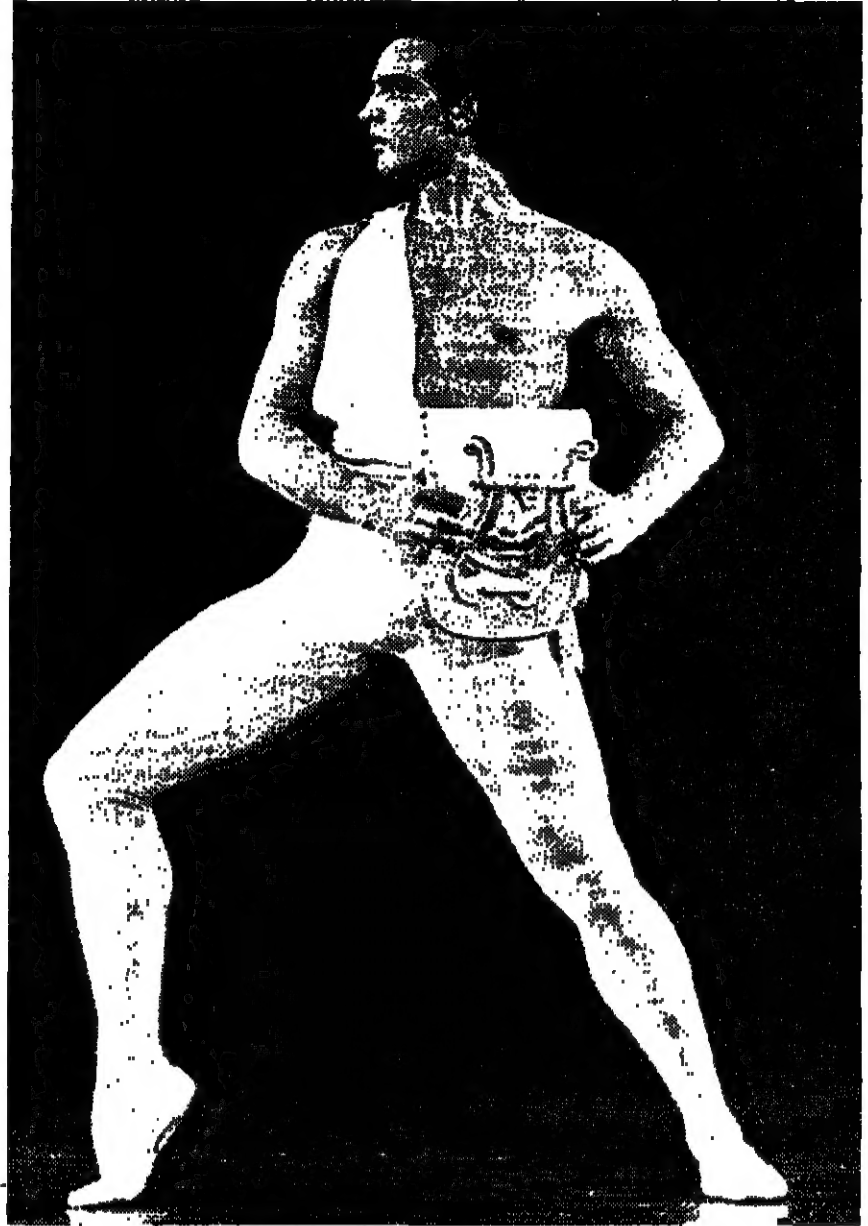
Mukhamedov's view of Balanchine's *Apollo* at this performance was one which saw the role in a single span, and gave it emotional and physical momentum from first moment to last. He exposed the dramatic substructure of the choreography. He showed us the reason for every action by the young god, and without communicative fuss - nothing over-emphatic - he provided an armature for the dance action.

It was a reading more powerful, more dense, than any I have seen before. It would look out of place in New York City Ballet performance today, but this Royal staging does not aim for the speed or the

purged clarity that is now the NYCB style in the piece. We are shown *Apollo* as drama rather than rite; and the choreography is rich and resonant enough to sustain both interpretations. As Terpsichore, Viviana Durante made an elegant, pure-toned debut.

About *Symphony in C*, most radiant of ballets, I am less happy in these current performances. Girls are being sent out to do women's jobs - ballerinas are in short supply at Covent Garden - and to do Balanchine justice, we must see diamond clarity and unforced grandeur. It is, nonetheless, a work of cumulative joys, and it ends an admirable triple bill on the happiest of notes.

This triple bill is given final performances at Covent Garden on January 27 and 28.



Irek Mukhamedov in Balanchine's 'Apollo', currently in the triple bill at Covent Garden: a reading more powerful, more dense than any seen before

WHEN Montesquieu declared "I believe that we will never completely understand the Chinese", over a century had passed since the first sustained western contacts with China. The admiration of the early visitors had been tempered by disillusion, but misunderstanding persisted. Despite the subsequent growth of Chinese studies and increased contact, misperceptions remain today.

This "400 year old history of confusion" is one of Jonathan Spence's favourite themes. In the first section of this collection of essays he discusses people who managed to penetrate the confusion - notably Sidney Gamble, a 20th-century sinologist and photographer - and others who, despite their efforts, were part of it: Montesquieu's Chinese acquaintance in Paris, Arcadio Huang, the Jesuit scholar and confidant of the Chinese emperor, Matteo Ricci; the 18th century Portuguese traveller, Mendes Pinto; and André Malraux and his literary contemporaries. These are delightful and subtle portraits. Like Gamble's, they catch "the evanescent moment in which a particular face, a gesture, a juxtaposition of elements, comes to be more than itself and to speak for a whole time and culture."

Chinese puzzle

Spence rejoices in details - the size of Arcadio Huang's conjugal bed, for example - and unexpected explanations. Grammar, he suggests, was the cause of Ricci's initial happiness in China. On leaving India Ricci no longer had to teach Greek, a highly inflected language, and found the study of Chinese, which has "no articles, no cases, no number, no gender, no tense, no mood", much more enjoyable.

But what distinguishes Spence is not his recognition of the complexity of Chinese culture, for others have accepted this. Rather it lies in his refusal to be baffled by China, having accepted that complexity is not a bar to understanding. These self-selected essays manifest his determination "to think about China with precision... and to be fair and thorough."

Confrontation with a new culture is a disorientating experience. The first few hundred years of Buddhism in China were marked by an attempt to ease understanding of the new religion by linking its ideas and practices with Daoism, an indigenous Chinese tradition. A similar process took place in the early years of Christianity in China, shown in Ricci's Buddhist robes and his retelling of Bible stories for Chinese consumption.

But later Buddhists and Christians realised that, in stressing the similarities with native systems, differences were often forgotten and an accurate understanding of the new religion was not possible. The clichés which abound in western literature on China are a result of trying to explain China in Western terms. Spence challenges the clichés and presents a more sophisticated view in which differences are not distorted or glossed over. Speaking of the values expressed by an elderly Chinese philosopher he writes, "we may not accept or approve of them, but it is hard to deny that there was something truly worth saying at the centre of his being."

Although the essays are grouped thematically rather than chronologically, those in the first section, on cross-cultural interaction, and the fourth, on post-1949 China, contain Spence's most recent and most confident work. While the portraits are enthusiastic, the tributes to his various teachers express respect and admiration for people who also refused to be baffled. The only place in the other sections which rivals these in depth of feeling is "Tiananmen", written after the events of June 4, 1989.

The remaining sections contain a miscellany of lectures and book reviews. They cover subjects as diverse as the cost of an imperial dinner, the 19th-century debate on whether to prohibit or legalise opium, and the importance of tradition in 20th-century political debates, displaying Spence's self-admitted and welcome "bare-brained eclecticism" although lacking the sparkle of the rest.

In his essays Spence, like the 16th century Dominican friar Gaspar da Cruz, has sought "those elusive elements that would give the complete picture of China". Many others have done the same over the past four centuries. Spence, however, remains one of the few to realise the impossibility of the task.

Susan Whitfield

JUST AS recognition in his own country came late to Janáček, so his reputation was slow to spread more widely. Outside Czechoslovakia his growth to popularity has been a post-Second World War phenomenon; that of the Janáček literature has been even more recent. Through his writings over the last 25 years John Tyrrell has established himself as a leading scholar in this and the wider field of Czech opera; this book, based on his work in the Janáček archive at Brno, draws together a wealth of documents relating to the genesis, publication and early performances of Janáček operas.

Operatic Czech

Prague proved a severe blow. It was only in 1916, after the first Prague performance finally took place, that the 61-year-old composer was able to write, "I am beginning to believe in my life and my mission"; in 1904 his sole response had been to "dedicate the pain with work" - but, as he added, "I've got problems with a libretto".

That work was *Osud* ("Fate"), and while the libretto did indeed prove problematic (Janáček made up the scenario as he progressed, and to this day it verges on the incomprehensible), its complications were overshadowed by the difficulties he incurred writing *The Excursions of Mr. Brouček*. At least his troubles with publishers here were his last. After *Brouček*, the composer produced his librettos virtually single-handedly, and the remaining four operas flowed more freely (his last, *From the House of the Dead*, was written in under 11 months).

But it would be simplistic to link this too closely to the great flowering that

JANÁČEK'S OPERAS: A DOCUMENTARY ACCOUNT
by John Tyrrell
Faber & Faber £25, 405 pages

characterised Janáček's final phase: there was also his growing love for Kamila Stösslová, which, though unrequited, gave him added creative impulse.

Perhaps most interesting is the background to Janáček's seldom-heard early operas *Sárka* and *The Beginning of a Romance*. The first took a libretto by the Czech symbolist poet Julius Zeyer which both Dvořák and Smetana had turned down. Janáček based the second on a short story by Gabriela Preislová, whose *The Stepdughter* he later made into *Jenůfa*.

As the title of the book suggests, this is a collection of sources which relate to the nine extant operas. One longs for more - Janáček's thoughts on the genre, or on the operas

of other composers, would be fascinating, though some of these would admittedly lie outside the scope of the book. It is a pity that little account is given of his projected operas. Though the evidence for some of these may be slight, musical sketches for at least four incomplete stage works exist: *The Housewife* was to have been based on another of Preislová's texts, and two others, *Anna Karenina* and *The Living Corpse*, two Tolstoy projects, evince the deep sympathy for Russian subjects reflected elsewhere in his oeuvre.

In general, though, Tyrrell has marshalled his material splendidly, to make it both scholarly and readable. His sources are meticulously listed in an appendix, leaving the text arranged and linked as a flowing documentary narrative. Containing as it does much material that has not appeared in English before (and some, indeed, that has not been published anywhere), this is a major addition to the Janáček bibliography.

John Allison

Off the Wall/Anthony Thornecroft

Benefits for the adventurous

COULD IT happen at last? Is the Arts Council about to raise its chopper and axe the grants of some of the 150 clients that still look to it for sustenance?

It is one of the vagaries of arts funding in the UK that, despite frequent huffing and puffing and the occasional minor sacrificial victim, once you are in with the Arts Council your organisation is supported for life. The Regional Boards are more vicious, especially to community projects, but the leading theatre companies, dance troupes, art galleries and orchestras never suffer more than the occasional frozen grant from the Council.

But, by a nice irony, the plaudits strategy document finally produced this week, *Creative Future*, is to form the blueprint for a radical strategy. Within three months the Council will decide its funding priorities on the basis of the guidelines mapped out in this document. It promises to go for quality rather than quantity, and to scythe off not just individual client companies but whole areas of funding, while lavishing more resources on key objectives.

This will not mean the end of literature, touring opera, or regional theatre. But it could mean a system which rewards creativity, educational work, access - all the new buzzwords - and hits hard at the routine potboilers. Basically, the controversial decision of the Eastern Orchestral Board to fix its grants to concert promoters in line with the popularity of the composers programmed - a £450 grant if you put on Tchaikovsky, £1,000 for Mahler, building up to £2,000 for Harrison Birtwistle - will become the national template.

So, in theory, if the Royal Opera House, facing a growing deficit, plans more performances of Toss, *Carmen* and *Bohème* in its 1993-94 season, it could be as head of the press office when her department was short of two staff. Casualties have been among support workers, but departures from the top echelons are expected.

regional theatre companies which play safe with a diet of Beethoven and Ayckbourn.

What has happened spasmodically in the past - as in the reduction of the Council's grant to the RPO because it favoured programmes of popular classics which attracted big audiences - will become the norm. Arts groups with an impressive youth programme, or which commission new dance works, or tour round vil-

WITH Art 93 at the Business Design Centre in Islington (until Sunday), London at last has a contemporary art fair which can stand comparison with those in Chicago, Basel, Frankfurt and Madrid. It is also more populist than in the past, with decorative prints priced around £250 alongside grittier abstract sculptures costing £100,000 plus.

In a recession dealers take few chances, and anyone put

Frink and Bacon. He insists on selling the collection intact, for around £160,000.

With the IRA making a pre-Christmas visit to the theatre too much of a drama for some last month, attendances in the West End in 1992 are likely to match, rather than overhaul, the 1991 set the previous year. This is still some achievement, given the recession and the fact that 1991 produced the second best total on record.

But there are causes for alarm. After a good first half 1992 got progressively stickier and more seats than ever were sold at a discount. There are signs that private angels are less keen to regularly lose money backing plays and that producers are having to dip into their own bank balances to put them on. But theatre owners, instead of being only interested in rent, are now considering themselves part of the play. The most striking commitment was by Maybox, owner of seven West End theatres, which agreed to cover the production costs of Sam Mendes' ambitious season at the revamped Donmar Warehouse which, because of its small size, can never be commercially viable. The success of his first production, *Assassins*, helped secure the Donmar £100,000 and a year's sponsorship from Carlton TV, which relieves Maybox of its burden.

The Arts Council's latest strategy document promises to support quality rather than quantity

lage halls, can expect more.

The Council has the advantage of a lower grant for 1993-95, down £5m to £225m, which can justify some pruning. Nothing has yet been settled, but the likely blueprint is more for living artists, less for dead masters. In May some unadventurous regional theatre companies or dance troupes might lose all their subsidy.

That is until the specialist panels, the vested interests and the local lobbyists start kicking up a rumpus and the Council back down. There is also the chance that the Heritage Minister, Peter Brooke, who is being lobbied by his good friend, the Arts Council chairman Lord Palumbo to rescind the £5m cut, will deliver more cash for 1994-95. The eventual bloodletting is likely to disappoint Dracula.

The auction houses see no early end to the recession and are drastically reducing staff. Christie's did it in one foul swoop before Christmas; Sotheby's favours the gradual approach. Another 15 went in London this week. There is a sad case of shooting the messenger because the main casualty is Fiona Ford, a Sotheby's loyalist for 25 years, who resigned as head of the press office when her department was short of two staff. Casualties have been among support workers, but departures from the top echelons are expected.

off contemporary art by the lumpy choices for the Turner Prize can have their enthusiasm re-fired. The first buyer was dealer Leslie Waddington, who snapped up an Anthony Caro sculpture from Annelise Juda and a David Mach sculpture from William Jackson. He got a small discount - but, these days, so can you.

Also active was Unilever, which is showing its corporate collection on the upper gallery and adding to it all the time, buying a Martin Kane painting from Bill George for £4,000 and six works by Royal College of Art student Nicholas Morris for a total of around £1,200 from the Contemporary Art Society's Mini-market, where works start at £100.

But perhaps the most eye-catching exhibit is Michael Roosen's stand, which displays 48 portraits by Zeuzi Robox of leading contemporary artists, including Hockney, Rego,

ART GALLERIES

THE WORLD OF DRAWINGS & Watercolours Fair Plus Lovers' Home, Family London W1, 20-24 January 1993, 11am-8pm, 7pm last 2 days. Tel: 071 489 5321

MARLBOROUGH FINE ART LTD & Abstracts Street, London W11 1AA. Free "Peter Pan and Other Stories" Unit 30 January 1993, Mon-Fri 10 am - 5.30 pm, Sat 10 am - 12.30 pm, Closed Bank Holidays. Tel: 071 429 5191

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TELEVISION

SATURDAY

BBC1	BBC2	LWT	CHANNEL4	REGIONS
<p>7.00 Champion the Wonder Horse. 7.25 News. 7.30 The Big Bang. 7.50 The Big Bang. 8.10 Eggs 'n' Baker. 8.30 Tom and Jerry: Great-His. 8.50 Going Live!</p> <p>12.12 News.</p> <p>12.15 Grandstand. Introduced by Steve Rider. Including at 12.20 Football: Previewing the fourth round of the FA Cup. 1.00 News. 1.05 Racing from Haydock Park: The 1.10 Jim Ennis Construction Premier Long-Distance Hurdle. 1.20 Skiing: The Men's Downhill from Wengen, Switzerland. 1.35 Racing: The 1.40 FK Roofing Champion Hurdle Trial. 1.50 Cyclo-Cross: The British Open Championship from the Alderley Stadium, Wolverhampton. 2.05 Racing: The 2.10 Peter Marsh Steeplechase (H'cap). 2.20 Basketball: Guildford Kings v Thames Valley Tigers at the National Indoor Arena, Birmingham. 2.55 Rugby League: Bradford v Wigan in the Regal Trophy final live from Elland Road. Leeds. 3.45 Football Half-Time. 3.55 Rugby League: Second-half coverage of Bradford v Wigan. 4.40 Final Score. Times may vary.</p> <p>5.15 News and Weather.</p> <p>5.25 Regional News and Sport.</p> <p>5.30 Cartoon.</p> <p>5.35 That's the Showbusiness.</p> <p>5.05 News: House Party. England rugby union captain Wally Lewis receives a 'grand slam' and a Gotha Oscar from Mr. Blooby. Actress Kate O'Mara also joins in the fun at Crinkley Bottom.</p> <p>7.00 The Paul O'Grady Show. The king of conjurers presents an illusion inspired by the tales of horror writer Edgar Allan Poe.</p> <p>7.50 Casualty. Michael Cashedan guest stars with Paul O'Grady as the parents of a young boy brought into hospital after being electrocuted at home. Duffy has problems with a young mother (Julia Hill) who has been admitted with severe knife wounds, and the staff prepare for the arrival of their new consultant.</p> <p>8.40 Birds of a Feather.</p> <p>9.10 News and Sport: Weather.</p> <p>9.30 That's the Life!</p> <p>10.10 Match of the Day: The Road to Wembley.</p> <p>11.20 Film: Go Tell the Spartans. Burt Lancaster stars in this Vietnam War drama (1978).</p> <p>1.10 Weather.</p> <p>1.15 Close.</p>	<p>8.00 Open University. 8.05 Film: Arch of Triumph. 11.15 The Strange Affair of the Doomsday Prophecies. 11.45 Donovan the Diviner. 12.15 pm Film: The End of the Road.</p> <p>1.50 Network East. Last programme in the series of arts and entertainment features for the Asian community.</p> <p>2.20 Tanshayan. (English subtitles).</p> <p>3.00 Cartoon.</p> <p>3.15 Film: High Sierra. Humphrey Bogart stars as a gangster whose tough exterior is eroded when he befriends a lame girl. Drama, also starring Ida Lupino and Joan Leslie (1941).</p> <p>4.55 Crufts 1993. Peter Purves, Jessica Holm and Mike Stockman look back at the event's best of breed winners from all groups.</p> <p>6.00 Parliament's Select Committees. News and Sport: Weather.</p> <p>6.45 Kings of the Castle. World Chess Championship 1993. Britain's Nigel Short plays Dutch grandmaster Jan Timman for the right to challenge World Champion Garry Kasparov.</p> <p>7.15 Sounds of the Seventies. Tracing the emergence of British glam rock at the start of the 1970s, with performances by Queen, David Bowie, The Faces, Elton John, The Who and The Rolling Stones.</p> <p>7.50 Fine Cut. Taut documentary following three convicted murderers awaiting execution in Potomac Correctional Centre, Missouri. Filmmaker Stephen Trobrey gained exclusive access to film the men as they await their fate along with 77 other condemned inmates.</p> <p>8.20 Moving Pictures. Actor Jeff Goldblum talks about his latest role in the thriller Deep Cover, and director Martin Scorsese pays tribute to the late cinematographer Nestor Almendros. Plus, a look at the state of the New Zealand film industry.</p> <p>10.10 Film: Sweetie. A shy young woman meets the man of her dreams, but her new found happiness is shattered with the return of her self-destructive sister. Starring Genevieve Lemon (1989).</p> <p>11.45 Film: Vigil. A young girl has a hard time accepting her father's death - especially after her mother sets up home with a strange man. Starring Penelope Stewart (1984).</p> <p>1.20 Close.</p>	<p>8.00 GMTV. 8.25 What's Up Doc? 11.30 Movies. Movies. Movies. 12.30 The ITV Chart Show. 12.15 pm Film: The End of the Road.</p> <p>1.00 ITN News: Weather.</p> <p>1.05 London Today: Weather.</p> <p>1.10 Metlock. Another case for wily Atlanta defence attorney, Ben Metlock.</p> <p>2.05 Hard Time on Planet Earth.</p> <p>3.00 The A-Team.</p> <p>3.55 WCW Worldwide Wrestling. Top grappling action.</p> <p>4.40 ITN News and Results: Weather.</p> <p>5.00 London Tonight and Sport: Weather.</p> <p>5.10 Newsday.</p> <p>6.00 Blind Date.</p> <p>7.00 Barrymore. Michael Barrymore presents more chat, music and entertainment as he discovers the public's hidden talents. Among his guests is a seven-year-old boy from Somerset who impersonates Al-Jolson, and the Floor Technicians, four men from Bristol who teach Michael a new dance routine from the musical Five Guys Named Moe.</p> <p>7.45 Film: Big Trouble in Little China. Kurt Russell stars in John Carpenter's tongue-in-cheek adventure about a trucker who encounters all manner of supernatural goings-on in Los Angeles Chinatown. Also starring Kim Cattrall and Dennis Dun (1986).</p> <p>8.35 ITN News: Weather.</p> <p>8.50 London Tonight: Weather.</p> <p>9.55 Film: The Runaway Train. Rebecca DeMornay stars in this action adventure as a railroad worker trapped on a runaway train with a pair of escaped convicts (Jon Voight and Eric Roberts) (1987).</p> <p>11.55 The Big E (European live including fashion, cuisine, entertainment and attitudes), followed by Night Shift and ITN News Headlines.</p> <p>1.00 Basketball (NBA Jan Session), followed by Get Stuffed.</p> <p>2.05 New Music. Janna Lynn White meets Madonna.</p> <p>3.25 Night Heat, followed by Str Fry.</p> <p>4.25 BPM, followed by Night Shift.</p>	<p>8.00 Early Morning. 10.00 Trans World Sport. 11.00 Gazzetta Football Italia. 12.00 America's Funniest Home Videos. 12.30 pm Songs and Memories.</p> <p>1.00 Smog. Hungarian animation following a bird's flight.</p> <p>1.10 Racing from Kempton. Including the 1.20 Bic Razor Novice's Chase. 1.50 Bic Lady Shaver Handicap Hurdle. 2.20 Bic Razor Lanzarote Handicap Hurdle, and the 2.50 Filling Handicap Chase.</p> <p>3.15 Film: Yellow Sky. Western adventure starring Gregory Peck and Richard Widmark (1948).</p> <p>6.05 Brookside. Omnibus edition.</p> <p>6.30 Right to Reply. With Mark Garner, whose company markets Red Hot Television, the Danish hard-core porn channel available in the UK. Plus, viewers discuss Carlton's The Good Sex Guide.</p> <p>7.00 A Week in Politics. Peter Lilley MP, Secretary of State for Social Security, talks about the future of the benefits system. With even Labour Party prep, but the question universal benefits, should the Government not review the basis of the welfare state? Plus, a look at the mood of the people of Denmark as they prepare for their second referendum on Maastricht.</p> <p>8.00 Stephen King's Golden Years. Fourth of the six-part thriller.</p> <p>10.00 Saturday Zoo. Jimmy Nail, star of Spender, is the co-host of this week's show. Guests are Rowland Rivron and Kevin Day.</p> <p>11.00 Ready Steady Go! 1980s pop music show, featuring The Beatles, Sandie Shaw and The Kinks. Adult Only. The chat show queen discusses the emotional subject of verbal, physical and sexual child abuse. She talks to victims and reveals the trauma of her own childhood.</p> <p>12.30 Film: Max Dugan Returns starring Marsha Mason, Matthew Broderick and Jason Robards Jr (1983).</p> <p>2.20 The World.</p> <p>3.20 Close.</p>	<p>ITV REGIONS AS LONDON EXCEPT AT THE FOLLOWING TIMES:</p> <p>ANGLIA: 1.05 Anglia News. 1.10 WCW Worldwide Wrestling. 1.20 News. 1.25 News. 1.30 News. 1.35 News. 1.40 News. 1.45 News. 1.50 News. 1.55 News. 2.00 News. 2.05 News. 2.10 News. 2.15 News. 2.20 News. 2.25 News. 2.30 News. 2.35 News. 2.40 News. 2.45 News. 2.50 News. 2.55 News. 3.00 News. 3.05 News. 3.10 News. 3.15 News. 3.20 News. 3.25 News. 3.30 News. 3.35 News. 3.40 News. 3.45 News. 3.50 News. 3.55 News. 4.00 News. 4.05 News. 4.10 News. 4.15 News. 4.20 News. 4.25 News. 4.30 News. 4.35 News. 4.40 News. 4.45 News. 4.50 News. 4.55 News. 5.00 News. 5.05 News. 5.10 News. 5.15 News. 5.20 News. 5.25 News. 5.30 News. 5.35 News. 5.40 News. 5.45 News. 5.50 News. 5.55 News. 6.00 News. 6.05 News. 6.10 News. 6.15 News. 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THE PRESS Complaints Commission, so trenchantly rubbished by Sir David Calcutt's report on press and privacy, seems still to show signs of unintelligent life. This week it invited Prince Charles, the Prince of Wales, to complain to it about the publication of tape recordings alleged to be between the heir to the throne and Mrs Camilla Parker Bowles.

Charles understands the Morse code

The Prince of Wales, says Dominic Lawson, is not taken in by all the tabloid fairy tales

Lord McGregor, the accident prone chairman of the Press Complaints Commission, to imply that the Prince and his staff would not already have considered and rejected such a suicidal course of action.

is, those who do not write for or run newspapers - regard what they read in the tabloid press as fantasy. Often hugely enjoyable fantasy, but fantasy nonetheless.

even the serious broadsheet press carried on their news pages reports of the fate of an invented television detective called Chief Inspector Morse. As for the tabloid papers, they had whole pages devoted to convincing their readers that, somehow, Chief Inspector Morse is a real person, rather than just a lucrative part of the repertoire of the actor John Thaw.

fact and fiction. The success of such long-running radio series as *The Archers* is precisely because many listeners regard the script-writers' inventions as the dialogue of real people, overheard, as if through a particularly porous neighbour's wall.

contradictory. First, there is what the public see at Royal occasions: processional, full of pomp and circumstance. Immaculately choreographed by centuries of tradition. This looks and is real (indeed the public can go and watch it) even though it is denounced by such Labour MPs as Jack Straw and Marjorie Mowlam as out of place, not of this century.

cially sanctioned programmes such as Elizabeth R. Such programmes are denounced by the new realists as a public relations gloss, a deception upon the public. But they are far more powerful in forming the public image than any amount of hostile investigative journalism.

Refugees from a city where the wrong badge means death

Private View/Christian Tyler



parents were killed in front of her eyes by the Ustashe (Croat fascists) - but I was told only when I was 25 or 26. She could have brought me up religious. But she didn't.

television work Mebrura has trained as an actress and fashion designer and she paints in her spare time. Majo has written plays and won prizes for his children's stories.

really feel we belong here. We always looked on England as the Old Country. We felt emotionally English. We are terribly pro-British and pro-Royal family. Nationality is what one feels oneself to be deep inside. It's a matter of emotional choice, like choosing one's wife. You just feel it's her. We should never have left.

The couple are vociferous in their analysis of the causes of the Yugoslav bloodbath but they seem helpless to comprehend its brutality. They concede, however, that history played some part.

ethnic tensions were whipped up by propaganda, said Mebrura. In what she called a "media war". Objectivity was abandoned, journalists took sides, and the public was fed a diet of preposterous lies - for example, that Moslems had been feeding Serb babies to the lions in Sarajevo zoo. Some of these journalists, Mebrura said, should be tried as war criminals.

'It is a war... by peasant, illiterate crooks and gangsters attacking normal, intelligent, civilised people'

anyone in their right mind would have intervened. If they had silenced the artillery round Sarajevo last April or May that would have stopped the war.

A few unpalatable facts

Michael Thompson-Noel



UNTIL Tuesday, there was not a lot I knew about the European single market. Without exaggeration, the quantity or mass of what I did not know about the European single market was in danger of collapsing, under its own gravity, into a black hole, to go with all the other black holes that astronomers are discovering.

regulations require Christmas trees to sport regularly-spaced needles, or that the EC wants to outlaw the dye that gives smoked haddock its "distinctive golden hue."

ment to control the budget deficit, overhaul the economy, eliminate corruption and initiate constitutional reform, mean that prospects are looking rosy for Europe's most stupid country.

will indeed coalesce into Orwell's Eurasia, Eastasia and Oceania, with the apparatus of government in each of these blocs shared between the four great ministries of Nineteen Eighty-Four: Ministries of Truth, Love, War and Peace.

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